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Britain Awaiting Loan

By PAUL EINZIG

Dr. Einzig points out delay in ratification of Anglo-American Loan Agreement has been a blessing in disguise for Britain, inasmuch as it kept to a minimum use of dollar exchange, and reduced British importations. Sees British trade balance position improved in interval, and valuable time gained in restoring sterling to convertibility.

LONDON, ENG. — It is now confidently expected here that the American loan wil be ratified within the next fortnight or so. It has taken four or five months longer than was expected when the agreement was ratified by the British Parliament in a few days in December, last, the delay gave rise to much resentment, but now that ratification appears to be really within reach, official circles admit that it was a blessing in disguise.

Paul Einzig

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Pictures taken at June 20 outing of the Boston Security Traders are on pages 3494, 3495, 3496 and 3497.

Ohio Securities Section on page 3480.

Index of Regular Features appears on page 3532.

What Should the Banker's Attitude Be Toward Common Stocks?

By L. O. HOOPER*

Chief Analyst, W. E. Hutton & Co.

Security analyst asserts that whereas bankers are prejudiced against ownership, they should have knowledge of equities, because of (1) their frequent value in determining the quality of loans; (2) service to clients regarding their purchase by trusts, institutions, and individuals; (3) portfolio-management where bank is directly involved; and (4) general investment advice for depositors. Warns of dangerous pitfalls in stock speculation, including mass psychology, over-prudence, lack of vision, impatience, and over-emphasis on property value in lieu of earnings. Predicts permanently higher price earnings ratios, arising from secularly declining interest rates.

I am not a banker. I do not pretend more than an academic knowledge of the theory of determining a sound credit. I have had no practical experience in passing judgment on the merit of loans.

My active interest, even in bonds, usually is confined to those speculative obligations, which, in their essence, more closely resemble equities than debt. I know that I am not a good judge of credit, or a competent practitioner in bonds.

L. O. Hooper

Most of you bankers, I surmise, are no more at home in the field of common stocks than I am in the area of credit. Your minds, and quite rightly, are attuned to credits. Day in and day out, your after year, your main task is to

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*An address by Mr. Hooper before the Maine Bankers Association Convention, Poland Springs, Me., June 22, 1946.

Should We Make a Loan to Italy?

By LAUCHLIN CURRIE

The author, President of the Council for American-Italian Affairs, was formerly assistant to President Roosevelt. He has recently returned from a visit to Italy where he had an opportunity to study Italian needs at first hand.—Editor.

Citing economic burden crushing Italy's new democracy, Dr. Currie scores our Administration's apathy thereto in contrast to its vigorous support of British and French loans. Asserts Italy's industrial and agricultural capacity is unimpaired. Concludes she can repay a long-term amortized loan because (1) annual principal and interest would take only 5% of anticipated exports, (2) her merchant marine will soon be restored, (3) her other external indebtedness is small, (4) she will be getting valuable assistance from the Monetary Fund. Urges our prompt action to forestall bi-lateral trade agreements elsewhere and overthrow of her democratic processes.

Millions of words have been written and spoken about the necessity of a substantial credit to the United Kingdom. Only slightly fewer have been written about the French loan. No casual reader of newspapers nor listener to radio commentators can have failed to have become aware of the applications, or of the broad case for the granting of such credits.

Lauchlin Currie

In contrast, there has been virtually no discussion of the Italian loan application. It will probably be news to the reader to learn that on Feb. 14th the Italian Government asked the Export-Import Bank for a credit of 940 million dollars to be advanced over a period of time. Supporting this applica-

(Continued on page 3508)

Economic Prospects And Economic Morals

By BRADFORD B. SMITH*

Economist, United States Steel Corporation

Industrial economist, though maintaining that outlook is for a period of abnormal activity, due to heavy consumer and capital goods demands, views its duration as in doubt, because political forces as distinguished from economic forces are at work. Sees inevitable termination of an "abnormal" boom which, because it is aggravated by monetary inflation, will have a serious aftermath. Attacks morals of economic coercion and economic planning by government as a relapse "into barbarian type of society.

The strictly economic situation is dominated by two obvious economic facts. By the words, "strictly economic situation," I mean to exclude consideration of the political or social framework of laws and customs within which we live. I am confining myself for the moment to the functioning of economic factors within that framework.

Bradford B. Smith

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*An address by Mr. Smith before the North East Ohio Personnel Conference and the Cleveland Chamber of Commerce, Cleveland, O., June 21, 1946.

The Atom Is Splitting UN

By A. WILFRED MAY

Motivation of national self-interest inherently dominates the atomic proceedings, entailing wholly unrealistic discussion. Soviet's basic policy of non-cooperation revealed by the anti-U. S. tirades issuing from Moscow. Belief in the practicability of Gromyko's proposal for outlawing the bomb requires "dewy-eyed" Utopianism. Basic differences between American and Russian-Polish programs analyzed. UN's plans to take over UNRRA's care of refugees are extensive and costly.

HUNTER COLLEGE, NEW YORK, June 26—Once more in UN doings, a major objective is rapidly running afoul of obfuscating politics. In the present atomic energy proceedings, this course has uniquely harmful implications. Whereas in the case of the Security Council, its abortive attempts to escape power politics have left the world no worse off than it had been during the past centuries of power diplomacy; and whereas the emerging impotencies of the Economic and Social Council denote nothing more harmful than an unsuccessful "nice try" at creating a universal social utopia—in sharp contrast thereto the Atomic Commission finds itself face-to-face with an actual and inexorable force (the bomb), concerning which phenomenon it must **realistically** come to a definitive joint agreement, or perish!

A. Wilfred May

Unfortunately, however, the advancing discussion of the atomic question is revealing that here too the motivation of national self-interest, and the advisability of camouflaging it, are resulting in a plethora of public double-talk and unrealism.

Russia is furnishing the foremost instance of this. The insincerity of Mr. Gromyko's pronouncements is clearly disclosed,

(Continued on page 3514)

What Are "Appropriate Monetary Measures"?

By ALDEN A. POTTER

Mr. Potter points out price and production controls are ineffective in stabilizing prices or preventing inflation. Contends under inflationary conditions, removal of price controls would not assure full production and distribution activities. Lays inflationary trend to "too much money" caused by expansion of bank deposits. Attacks "forced saving" and recommends all loans and investments be confined within the existing money supply as actually earned and saved. Sees a source of instability in financing of new industries prematurely by bank credit. Finds money index only in crop prices.

"The solutions of our monetary problems must be considered with one fundamental aim—economic stability at a high level of production and employment. That goal cannot be reached through monetary measures alone, but it cannot be achieved without appropriate monetary measures." — M. S. Szymczak, Member Federal Reserve Board, before Economic Club of New York, May 1, 1946.

Alden A. Potter

Governor Szymczak's address on "Our Monetary Problems" was offered, as he remarked in closing it, in such general terms as to "stimulate discussion rather than assuming to know the final and best answers to many of these complex problems today." The public, he says, "is signifying its desire to hammer out the right answers on the anvil of full and free discussion. That, in essence, is democracy—and, by the same token, we shall preserve our democracy and our economic system only by such full, free, and fair discussion and debate."

The "Commercial and Financial Chronicle" has not hesitated to promote such freedom of discussion and debate in its columns by the presentation of novel as well as traditional analyses. An analysis is not right merely because it is novel, to be sure; but it is fortunate that we have at hand persons and publications, still too limited in number perhaps, who, to quote Mr. Szymczak again, are seeking "the right solutions by patient, open-minded study and discussion—not by dogmatism or any narrow consideration of our individual interests apart from the broader interest of the nation as a whole."

Such a praiseworthy attitude recognizes that progress necessitates departures from tradition and the "lessons of experience" by procedure which is necessarily novel. We cannot advance successfully while looking backword; perhaps it is not without significance that one of the most shallow and emotional appeals for a communistic utopia was given the title "Looking Backward." We must not try to proceed, as Senator Vandenberg proposed for decontrol in OPA, by trial-and-error. Ways must be found for looking ahead with precision, as did the astronomer who first focused his telescope on the spot in eternity where he knew the planet Pluto would be found. Our trials, like his, must be so made as to avoid error, if we hope to avoid social disaster.

Government by Pressure Groups.

"Appropriate monetary measures" should, to be sure, result in "a high level of production and employment." But it does not

(Continued on page 3498)

Structure and Operation of NAC

By HERBERT M. BRATTER

Continuing his study begun in last week's issue, Mr. Bratter describes organization, procedure and personalities of National Advisory Council on International Financial and Monetary Problems, set up by Congress in the Bretton Woods enabling act. Points out Mr. Vinson, as Secretary of Treasury, has been most influential in Council's affairs, though in case of British and French loans State Department's influence was at least as strong. Sees financial views affected by political situations.

II

How NAC Operates—Organization

The National Advisory Council on International Financial and Monetary Problems has a staff committee made up of personnel from the five agencies which compose it. That committee, under the chairmanship of a representative of the Treasury Department, conducts all necessary statistical and factual studies needed by the five NAC members in reaching their decisions. As indicated elsewhere in this article, many of the members of the staff committee, either occasionally or regularly as the case may be, sit in on the periodic meetings of NAC itself, explain the memoranda they have prepared, when explanation is needed, and often contribute to the discussion in other ways.

Herbert M. Bratter

In carrying out research assignments from NAC, the staff committee through working committees utilizes the resources of the respective member departments and agencies. Its memoranda and documents are circulated among the members.

Apart from the principal staff

(Continued on page 3486)

SEC Seeks More Control Over Unlisted Securities

Ganson Purcell, its retiring Chairman, urges amendment to Securities Exchange Act which would require companies with over $3 million assets and over 300 security holders to file statements similar to Exchange securities. Holds this would extend to investors protection now afforded only to investors in listed securities, and would end right of corporations to select unregistered markets for its securities. Says about 1,000 corporations would be affected, of which 85% already have their statements certified by public accountants. Analyzes effect on unlisted trading, and furnishes text of proposed amendment.

Ganson Purcell, who has since resigned as Chairman of the Securities and Exchange Commission, in a report to Congress on June 19 urged that the Securities Exchange Act of 1934 be amended by inserting provisions requiring corporations whose assets exceed $3 millions and having more than 300 security holders be required to file registration statements as now required by companies with securities listed on organized securities exchanges.

Ganson Purcell

The text of Chairman Purcell's letter to Congress, which accompanied the report, is as follows:

There is submitted herewith a report of the Securities and Exchange Commission recommending an amendment to the Securities Exchange Act of 1934 which would extend to investors in certain unregistered securities the protections now enjoyed by investors in securities which are registered by their issuers with this Commission. The purpose of the amendment is to eliminate a double standard with respect to the protection of investors which—more as a result of accident than of design—has developed over the past 13 years. The effect of the securities acts adopted by Congress since 1933 has been to afford various essential protections to investors in certain companies while leaving unprotected the investors who buy and sell securities issued by other companies of comparable size, importance, and public interest.

As a result of existing legislation, it is possible for investors to obtain reliable information with

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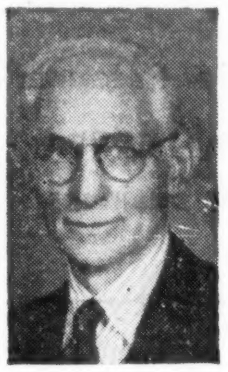
Should the Security Dealer Be a Vending Machine?

By A. M. SAKOLSKI

Dr. Sakolski, in commenting on SEC's proposed prohibition on underwriters and dealers of withholding for their own or special accounts securities offered publicly, points out this proposal, along with other trading restrictions already placed or to be placed on securities dealers, is tending to make these dealers mere vending machines. Holds security transactions constitute a highly personal business, with close relationships between dealer and customers, and that new proposed SEC rule destroys established trade practices and is revolutionary.

I

The policy of the SEC and its satelite, the NASD, in their benign but misdirected efforts to protect investors from the supposed wily actions of security dealers and traders, is fast converting the whole field of security transactions into vending machine merchandising. The handcuffing of the industry through rules, regulations, formulas and philosophies makes the straitjacket a flexible piece of wearing apparel in comparison with the restrictions imposed on security dealers in their relations with their customers. It is undoubtedly taking all human and personal elements out of the business. In a field of activity, which for generations was based on personal service and intimate buyer-seller relations, the aim appears to be to make transactions, agreements, and bargaining mere mechanistic arrangements,



A. M. Sakolski

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SEC Proposal Would Deal Body Blow to Over-the-Counter Industry

Proposed SEC Bill in its report to Congress a threat to over-the-counter market. Reminiscent of 1941 "equalization" propaganda. SEC rules barring fraud, deceit and manipulative practices constitutes adequate public protection. Industry should be briefed for organization of effective opposition.

The Securities and Exchange Commission has filed with the Congress a report which it entitles "A PROPOSAL TO SAFEGUARD INVESTORS IN UNREGISTERED SECURITIES."

In effect this report recommends an amendment to the Securities Exchange Act of 1934 which would extend to investors in unlisted securities the protection now afforded to investors in listed securities by reason of Sections 12, 13, 14 and 16 of the Act.

Section 12 of the Act deals with the registration requirements for securities.

Section 13 requires the making of periodic reports.

Section 14 provides for proxy disclosures and Section 16

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Leonard Howard Heads Lewisohn Department

Leonard F. Howard, formerly financial news editor of the "Journal of Commerce," has joined Lewisohn & Co., 61 Broadway, New York City, member of the New York Stock Exchange, as manager of the Investment Research Department, it is announced.

Leonard F. Howard

After serving four years in the Army, Mr. Howard was released from active duty as major, Air Corps Reserve, and returned to the editorial staff of the "Journal of Commerce" in January of this year. Prior to 1940 he was associated with Sutro Bros. & Co. in the statistical department.

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Other Publications
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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

R. Newman Opens Own Investment Firm

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA. — Randolph Newman has formed Randolph Newman & Co. with offices in the Carondelet Building to engage in the securities business. In the past he was with Levy & Rooney, Inc., in the corporate bond department. Prior thereto he was a partner in Marks, Laser & Co.

Lt. Col. A. O. Harris With O'Brian Mitchell

BUFFALO, N. Y. — Lt. Col. Arthur O. Harris has become associated with O'Brien, Mitchell & Co., Liberty Bank Building it is anounced. Col Harris prior to World War II was engaged in sales-counseling work. During the war he was in charge, successively, of the Elmira Rochester and Buffalo regional offices of the Rochester Ordnance District.

Richard Nelson Asst. VP Of Equitable Secs.

Equitable Securities Corporation announces that Richard D. Nelson has been appointed Assistant Vice President of the company. He will make his headquarters at the firm's New York office, 2 Wall Street, with which he has been connected for many years.

The Future of the Bull Market

By L. SCUDDER MOTT*
Member, Investment Committee
National Securities and Research Corporation

Mr. Mott, in outlining the phases of a bull market as (1) rebound from over-depressed levels; (2) adjustment to improving conditions; and (3) overdiscounting of favorable prospects, maintains present market is still in second phase, and further rise is indicated. Points to favorable effect of reduced taxation and to higher yields on stocks than on bonds, and contends future of bull market lies largely in capital and durable goods fields, which have not yet attained highly prosperous conditions. Sees possibility of seasonal rise in summer months.

Sixteen months ago (in the Feb. 21, 1945 issue of "Investment Timing") we took occasion—as the Dow-Jones Industrial and Rail Averages had risen to new high ground for the current bull market—to discuss market prospects from the broad viewpoint.

L. Scudder Mott

Recently (June 13) the Dow-Jones Rail Average exceeded its previous (Feb. 5) high by a small margin. Since the companion Industrial Average had already exceeded its similar level, and on May 29 had made a further new high, both these averages were in new high ground, and, in fact, at the highest level for the Rail Average since September, 1931, and for the Industrial Average since October, 1930. The question of "where do we go from here?" is again naturally raised.

To establish the general background for discussion, let us recall that the present bull market (as measured by the Dow-Jones Industrial Average) dates from April 28, 1942 at the 92.92 level. While there were several periods when the intermediate trend could logically be considered downward, there were only two reactions of real importance. One was from 145.82 on July 14, 1943, to 129.57 on November 30 of that year; the other from 206.97 on Feb. 2 this year, carrying down to the 186.02 level on Feb. 26.

Taxes Important Factor

Since our previous discussion of the broad market prospects, the war has ended and stock prices have had the stimulating influences of peace, reconversion and the repeal of the excess profits tax (as well as the lightening of other taxes), while potential inflationary factors also assumed greater significance. The tax developments were of particular importance, since, with the advantage of retrospect, there seems little duobt that wartime taxes and tax expectations were the greatest single element tending to retard the upward progress of stock prices. Developments on the unfavorable side since the war's end have included the unprecedented wave of strikes and wage in-

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*Reprinted from "Investment Timing," June 24, 1946, published by National Securities & Research Corporation, New York City.

Labor Union Status And Capitalism's Future

By E. C. GRIFFITH*
Associate Professor of Economics, University of Georgia

Professor Griffith maintains in certain cases labor unions, because of their occupational monopoly, have achieved essentially status of pursuits affected with a public interest, and, like public utilities, could be subjected to government control and regulation. Points out placing labor organizations in this status would impair constitutional rights and challenge validity of democracy. Holds solving dilemma, unless unions recognize their social responsibility, could be accomplished only by state ownership and operation of industries where unions are given public utility status, and this may mean eclipse of Capitalism.

The problem of the social control of industry has long been of paramount importance to organized society. The importance of the issue has been largely a function of the degree to which the industry has been "affected with a public interest (and) . . . (ceased) to be *juris privati* only," as Lord Chief Justice Hale said some 200 years ago. In a dynamic society, it is of crucial importance that practically every generation is confronted with the problem of bringing within the orbit of public control some new economic pursuit.

E. C. Griffith

The difficulty in the decision regarding the application of the public utility concept to new economic endeavors is that we are in some measure denying the protective devices of the Federal Constitution while applying the police power in the interest of the general welfare. Weighing the merits of the issues involved has resulted in contradiction, confusion, and uncertainty. The cause of this lies in the lack of generally accepted criteria by which to determine the extent to which an economic pursuit must be affected with a public interest to warrant the application of the public utility concept and thereby legally to subject it to social control within

(Continued on page 3506)

*This article represents the personal views of Professor Griffith and in no way the opinions of the faculty of the University of Georgia, as such opinion was not sought.

Robinson V.-P. of Mass. Inv. 2nd Fund

Directors of Massachusetts Investors Second Fund announce the election of Dwight P. Robinson, Jr. as a Vice-President of the corporation and Chairman of its investment management committee.

Mr. Robinson, who graduated from Harvard University in 1920 and subsequently received his MBA degree from the Harvard Graduate School of Business, entered the investment company field in 1932 when he became associated with Massachusetts Investors Trust. He became a trustee of that Fund in 1937 and has also been a director of Massachusetts Investors Second Fund. He is also a director of the United States Smelting, Refining and Mining Co. and of the Cambridge Trust Co.

Purcell Quits SEC—Hanrahan Successor

The resignation of Ganson Purcell from the Securities and Exchange Commission, of which he was Chairman, announced in an exchange of letters between the Chairman and President Truman made public this week, will become effective on June 30. With Mr. Purcell's resignation the President on June 24 sent to the Senate the nomination of Edmond M. Hanrahan to be a member of the Commission for the remainder of Mr. Purcell's term expiring June 5, 1947. Mr. Hanrahan's nomination had gone to the Senate on May 31, but was immediately withdrawn, said the Associated Press at that time when it developed that Mr. Purcell had not then resigned, but had merely indicated previously a desire to step out at some future date.

From Associated Press Washington accounts June 24 we take the following:

Accepting the resignation today, the President praised Mr. Purcell's long association with the Commission and said he had achieved for investors "a maximum of protection" and a "minimum" of government interference with the financial system.

Mr. Purcell told the President that the "pressure of my personal affairs has become such, after nearly 16 years of government service, that I am obliged to return to private life."

At SEC headquarters in Philadelphia, Mr. Purcell said at a news conference he will become Washington partner of the New York law firm of Root, Ballantine, Harlan, Bushby & Palmer.

Mr. Purcell joined the SEC legal staff in 1934, became director of the trading and exchange division in 1937, a member of the Commission in 1941 and Chairman in January, 1942.

Let's Save America!

By HON. JOSEPH P. KENNEDY*
Former Ambassador to Great Britain

Former government official and diplomat, declaring that present crisis constitutes epochal testing period for nations and individuals, criticizes citizens' indifference to threats to our form of government and way of life. Vigorously warns of unadaptability of American ideals to Russian methods. Asserting that a major cause of trouble has been our politicians' desire for quick popularity, Mr. Kennedy urges effective public challenge of the political claim that central government is normal instrument of social progress.

Crises such as the one through which we are passing are great testing periods for nations and individuals. Either they go down in humiliation and disgrace or rise to heights of triumph. I feel that one of the most inspiring messages to a people was delivered by Winston Churchill after a crisis—Dunkirk, France, Belgium, Holland—all of her Allies had fallen in defeat and Great Britain stood alone against the mightiest military power ever known. But Churchill did not quail. In that dark hour he said to his people: "Let us therefore brace ourselves to our duties and so bear ourselves that, if the British Empire and its Commonwealth last for a thousand years, men will still say, 'This was their finest hour'."


Joseph P. Kennedy

*An address by Mr. Kennedy at Commencement Exercises of Colby Junior College, June 17, 1946.

The Example of Our Forefathers

Here then, in our own day, we have seen a people, loving peace, wholly unprepared for war, but rising courageously to the occasion when their way of life was threatened. How easily we take for granted the liberties we have enjoyed in this country! Our forefathers knew what these things meant. They came here to escape the tyrannies of Europe, to form a new government not for the power and glory of the state but for the preservation of personal and religious liberty and of economic freedom. No one guaranteed them security or freedom. They earned it. During the first winter in Plymouth, one half of the entire colony died from sickness. A proportionate toll today would be the equivalent of more than 65 million people. Yet in the springtime, when the Mayflower set sail for England, not one of the Pilgrims returned to what would have been a life of comparative comfort and security.

Do not despair then at the slowness of human progress if you do not see the immediate fulfillment of your ideals. Standard-bearers

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State Control Versus Self-Control

By JOHN FOSTER DULLES*

Mr. Dulles asserts Soviet's worldwide program is based on belief universal extension of system is only way to prevent its domestic undoing. Attacks Russian experiment as assailing right of small self-perpetuating group to dictate pattern of mass life and suppress individual freedoms. Warning that democracy is on defensive, declares way for our society of freedom to regain its lost prestige, is by demonstrating we have not forsaken last Century's self-restraint.

The advocates of human freedom have never been more than a small minority of the human race, but for long they have had the initiative. They have been on the offensive, supremely confident that their cause was righteous and would prevail. We Americans have played a leading part in the struggle for freedom. We developed for ourselves a society which, more than any other, gave men spiritual freedom and intellectual and economic opportunity. We saw that society admired and imitated by the peoples of the world. We gave moral support, and often material support, to those in other lands who sought for themselves the freedoms which we had won for ourselves. We had the satisfaction of seeing political despotism decline throughout the world and we had the thrill of being in the forefront of what seemed an historical movement that was irresistible.


John F. Dulles

The Tarnishing of Freedom

That is what was. Today the prestige of freedom is tarnished. Its proponents have lost the initiative and their confidence has waned. Throughout the world men are beginning to question whether, after all, a society of freedom is adapted to modern needs.

The Soviet Union is conducting a great experiment in what is called "democratic dictatorship" or "dictatorship of the proletariat." A small self-perpetuating group of men publicly committing themselves to promote the welfare of the mass, assert the right to dictate a pattern of mass life and to suppress individual freedoms which might interfere with that. That experiment has now

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*An address written by Mr. Dulles, but because of his illness delivered by Dr. Nelson P. Mead, at Commencement Exercises of College of City of New York, June 19, 1946.

Officials of Fund and World Bank

(Tenth of a Series)

KYRIAKOS VARVARESSOS

Executive Director of the World Bank

At Savannah Mr. Varvaressos was elected executive director of the Bank, representing, in addition to his native Greece, Egypt, Iran, Iraq and Ethiopia. Thus he casts a bloc of 2,230 votes, or 2.62% of the Bank's total as of the date of his election. Mr. Varvaressos at the time of his election to this post was not at Savannah, but in Atlantic City, heading the Greek delegation to the UNRRA Conference. At BW in 1944 Mr. Varvaressos was chairman of the Greek delegation, being at that time Governor of the Bank of Greece and Ambassador Extraordinary for Economic and Financial Matters. He is now 63 years old.

K. Varvaressos

Varvaressos studied at the faculty of law of the University of Athens and pursued his advanced economic studies in Germany. On his return to Greece he was made director of the statistical section of the Greek Government. Subsequently he was appointed professor of economics at the University of Athens.

For a short time in 1922 Varvaressos practiced law in Athens. During the following years while a professor at the university he became associated with the bank of issue of the country as economic adviser, and later become deputy-governor and governor thereof. He was several times Minister of Finance and in that capacity represented Greece in numerous international conference abroad. During the years of Nazi occupation of Greece Varvaressos was a member of the Greek Government-in-exile in London, from where, after the liberation of the country, he returned to his position as Governor of the Bank of Greece. In 1945 he became Deputy Prime Minister of the government in charge of the Ministries of Production and Finance, from which position, as well as from the post of the Governor of the Bank, he resigned last October.

Rejoins Illinois Company

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harry E. Wilder has rejoined the Illinois Company, 231 South La Salle Street, members of the Chicago Stock Exchange, after serving in the U. S. Navy.

E. F. Hutton Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Charles Barrington and Ben F. Fletcher have joined the staff of E. F. Hutton & Company, 623 South Spring Street.

Government Bond Portfolio Management

By R. C. EFFINGER*

Vice-President, Irving Trust Company, New York City

Mr. Effinger discusses problems involved in bank holdings of government obligations for both Secondary Reserve and for Investment Account. Prescribes method of figuring adequacy of these accounts and urges estimates be made at least semi-annually. Forecasts little change in interest rates for several years, both because of government fiscal policies and because of large supply of money, estimated at $50 billions, in excess of legitimate business needs.

When your President honored me with the invitation to address your convention he asked me to talk on the subject of managing bank investments in United States Government securities in view of the fact that they account for a major part of your assets.

R. C. Effinger

Because no credit risk is involved in such assets, if credit risk is defined as the ability of the obligor to obtain funds needed to meet interest and principal payments when due, we can skip such considerations as diversification by obligor and differences in grades of bonds and confine ourselves largely to the question of maturity distribution.

There is the well-known rule of thumb for maturity distribution which calls for approximately equal amounts maturing each year. Undoubtedly it has merits. It is simple and tends to limit speculation. But I believe there is a sounder approach to the problem.

Objectives of Portfolio Management

There are two principal objectives in bank portfolio management. One is to provide funds needed to meet declines in deposits and increases in loans. The other is to provide income. Such different objectives can best be accomplished by dividing bank investments into two parts or accounts, the Secondary Reserve Account and the Investment Account, and managing each in accordance with its function.

The management of the Secondary Reserve Account should be directed toward maintaining it, at all times, in an amount adequate to meet declines in deposits and increases in loans. The Investment Account, on the other hand, should be managed primarily from the point of view of maintaining or increasing income, in so far as may be, while adhering to sound investment principles.

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*An address by Mr. Effinger before the Virginia Bankers Association, Virginia Beach, Va., June 21, 1946.

Debt Reduction and Money

By THOMAS I. PARKINSON*

President, Equitable Life Assurance Society of the U. S.

Noting recent national debt reduction has come about entirely by application of Treasury surplus cash and not from revenue surpluses, Mr. Parkinson maintains inflationary trend is still evident in the increased money supply arising from bank purchases of outstanding government bonds. Commends recent report of Federal Reserve Board urging curtailment of this practice and calls for prompt action.

The total debt of the U. S. Government at the beginning of 1946 was more than $278 billions. Of this amount, $20 billions were held in the so-called trust funds of the Government for civil service pensions and social security benefits. Government debt held in these trust funds ought not to be thought of lightly because the future payments to pensioned federal employees and to industrial workers who presently value the social security benefits which they expect to receive at some time in the future are dependent on the Government's meeting promptly and fully the obligation of that portion of its debt which has been placed in these funds. Therefore, the $20 billions so held must be considered as an important part of the Government's outstanding debt.

T. I. Parkinson

Since the first of this year the total government debt has been reduced by redemptions of maturing government obligations from the total of $278 to $269½ billions. This reduction represents, we hope, a start toward eventual total pay-off of our government's debt. That is the kind of "management of the debt" which is the only sensible course for public policy to pursue.

We heard in recent years a lot about management of government debt and the benefits which might be expected to flow from it. Those of us who lived prior to 1900 believed, and still believe, that there is no public benefit in government debt; the benefits were extinguished with the expenditure of the proceeds of the borrowings. The best management of debt by individual, corporate or government debtors is to provide as soon as possible for its reduction and final liquidation.

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*A statement released by Mr. Parkinson through the Continental Press Syndicate.

Forming King & King Securities Corporation

King & King, 40 Exchange Place, New York City, members of the New York Security Dealers Association, announce the formation of King & King Securities Corp., effective July 1 next, and the dissolution of the partnership of King & King. Officers in the new corporation will be Martin I. King, President; Samuel H. King, Vice-President and Treasurer, and Casper A. Rogers, Secretary. The address and telephone number will remain unchanged.

Inflation in Real Estate Prices

By ELLIOTT V. BELL*
Superintendent of Banks, New York State

Maintaining present real estate prices plainly indicate inflation, Supt. Bell lays causes to housing shortage and to increased individual incomes. Points out previous postwar booms have resulted in return to old price levels, and emphasizes disaster may result from abrupt drop in real estate prices. Says present high prices may cause a buyers' strike, and long deferred prosperity may be short-lived and illusory. Holds real estate prices are not governed by reproduction costs and urges moderation and caution in extending mortgage loans.

I propose to talk to you today about the inflation in real estate prices. This is, I take it, the most difficult and important problem with which savings and loan managements have to deal. It is only right, therefore, that I should tell you how we in the Banking Department look upon the problem. None of us can foretell the future. Looking backward it is plain to all of us that the mistakes and excesses of the 20s produced the hardship and depression of the 30s; the neglect and mismanagement of world problems in the 30s produced the war and desolation of the 40s. If we could really understand the events and conditions of today we would have a clue to the probable course of events in future years. If we could all be wise in good times we should never have to be sorry in bad times. But, of course, if we were all wise in good times there would never be any bad times.

Elliott V. Bell

We have only just in recent years emerged from the terrible problems of the Great Depression. All of you have had experience in struggling with defaulted mortgages and frozen real estate, but the problems of those days of depression grew out of the mistakes of the previous period of inflation.

Real Estate Inflation Is Manifest

Now we are in another period of inflation and we do not want to repeat the old mistakes. In no area of our economy is the current inflation so plain as in the field of real estate.

I suppose every one of you here could tell out of first-hand knowledge some fantastic stories of actual transactions taking place in the real estate market today. I hear a good many of them every day. For example, a man I know

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*An address by Supt. Bell at the annual Convention of New York State League of Savings and Loan Associations, Saranac Inn, N. Y., June 22, 1946.

El Salvador Announces New Debt Plan

El Salvador on June 27 published an announcement of an offer to the holders of the following outstanding dollar obligations, following negotiations with Foreign Bondholders Protective Council, Inc., and pursuant to Decree Law No. 296 of Dec. 29, 1945, as implemented by Executive Decree of April 26, 1946: $2,475,000 Customs First Lien 8% Sinking Fund Gold Bonds, Series A, dated July 1, 1923, due July 1, 1948; $5,285,600 7% Sinking Fund Gold Bonds, Series C, dated July 1, 1923, due July 1, 1957; and $306,994.25 Certificates of Deferred Interest (Scrip Certificates) issued with respect to Bonds of Series C.

The Foreign Bondholders Protective Council states in part:

The offer provides that new external sinking fund dollar bonds dated Jan. 1, 1946, due Jan. 1, 1976 shall be issued in an amount equal to $10,032,500; that current interest will be paid at the rates of 4% and 3½% on the new bonds offered in exchange, par for par, of the outstanding bonds of Series A and Series C respectively; that sinking fund initially will approximate 2.5% of the principal of the new dollar bonds issuable under the offer; and that new 3% bonds will be issued for eight years' interest arrears, due July 1, 1938 to and including Jan. 1, 1946 funded at 50% of the amount owing; and, furthermore, to holders who did not accept the 1933 and 1936 plans for past due interest to and including Jan. 1, 1938, cash payments will be made per $1,000 bond of Series A and Series C of $365 and $213 respectively, which are approximately 85% and 50% of the amounts owing.

The principal amounts of new dollar bonds issuable under the offer are:

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Brand Names and Free Enterprise

By HENRY E. ABT*

Managing Director, Brand Names Research Foundation, Inc.

Asserting there is a struggle between "Big Labor" and "Big Bureaucracy" to control the economic processes, Mr. Abt maintains as long as public pits manufacturer against manufacturer in competition of brand products, free enterprise and competitive system will continue. Calls attention to attacks on distributive system and Congressional threats of "grade labeling," and urges producers of brand products to accept challenge and organize for struggle.

This is the eve of the "tomorrow" we've been talking about all through the war—the "tomorrow" when full production will—we hope—provide maximum employment with such a national income balanced by flow of goods that the American standard of living will reach levels that only the most daring could dream of in yesteryears.

Henry E. Abt

There can be little question that the vast productive machine we built up to meet war needs will soon be going at full tilt. Labor leaders who have slowed and hampered reconversion with opportunistic grabs for power are in my opinion too shrewd not to let production proceed from whatever point they believe they have gotten all that the traffic for the moment will bear. They know, as well as anyone, that if production does not proceed—if not at once, then sometime soon—they will begin to lose much of the power they so anxiously prize. At some point, therefore, labor relations, temporarily at least, will be stabilized.

Where do we go from there?

Big Labor vs. Big Bureaucracy

Let's make no mistake about one fact. A mighty struggles goes on for control of the economic process. The principal contenders at the moment are big labor and big bureaucracy.

The calloused ruthlessness of both—their indifference to interests other than their own—particularly of minorities that may in any instance stand in their paths—and the emphasis of so-called "collective interest," as compared with individual welfare, are often strikingly reminiscent of the totalitarian socialism with which

(Continued on page 3491)

*An address by Mr. Abt before the Pacific Advertising Association at Spokane, Wash., June 26, 1946.

Early Decision Is Expected From SEC on Matter Of Allotment of New Stock Issues to "Insiders"

General feeling in investment house circles all over the country is that it would be incredible for the SEC—after hearing the opinions of the industry—to do anything else but to drop its Proposed Rule X-15C2-3 entirely or at least to agree to a considerably tempered version. The possibility is good Commission may agree to counter-proposal submitted by the NASD wherein the issue would be compromised by sending out a "warning letter" but industry is wary of any move at all which would alter basic trade practice.

The Security and Exchange Commission's proposed Rule X-15C2-3 which would prohibit so-called "insiders" from participation in new stock issues is now before the Commission itself for final disposition, and it is the general feeling of men in investment house circles all over the country that, now that the industry has had the chance to express itself on the question, the Commission will very likely either drop the issue entirely or agree to a considerably tempered compromise.

It would be incredible for the Commission — acting, as it is supposed to be, in the public interest — to take any other course in the matter, they feel.

The Board of Governors of the National Association of Securities Dealers is known to have submitted a counter-proposal on the question to the Commission and it is just possible that the Commission may adopt the NASD's suggestions exactly as presented. The NASD would settle the issue, it is understood, merely by agreeing to send out a "warning letter" to its membership advising them to desist from certain practices, though just what these practices are is a mystery to everyone except the board members and the SEC, as the board has chosen to keep the nature of the practices a secret from the Association membership and investment house circles in general.

Wallace Fulton, executive director of the Association, who feels that he is the spokesman for the Association, when asked by the Chronicle for details about the Association's counter-proposal to the Commission refused to talk despite the fact that the subject vitally affects the public interest.

Some sections of the industry are consquently fearful of even the NASD's proposal, feeling that the NASD may, but should not countenance any move at all to alter basic trade custom. It is only because the securities market is very active, fortunately for industries seeking new capital, that the demand for the new issues is admittedly great, these circles point out.

To deny anyone the right to participate in the new offerings because that person chanced to be a relative or an employee of the firm bringing out the issue would be entirely unfair, they hold. Money is like any other commodity and to obtain the fullest possible benefits that money can provide, the investment markets should be kept as free as possible so that individual and corporate savings may find their way in great supply to the most useful and productive channels, these circles feel.

International Fund and Bank Under Organization

Washington observer reports executives of these institutions are furnishing scanty information as what goes on in process of organization. Some progress reported on selection of staffs. Problem of institution's relationship with the Economic and Social Council of United Nations still unsettled, as is also the basis upon which World Bank will take under consideration applications for loans.

WASHINGTON, D. C., June 26—Slowly but surely the Fund and Bank are making progress. For several weeks progress in the Bank was retarded by the failure of the Administration to nominate a "candidate" for the presidency of the Bank, but with Eugene Meyer's selection, soon followed by the appointment of Harold Smith as Vice-President, that defect has at last been remedied. Mr. Smith is in reality more than Vice-President; he is really an alternate president.

Both Mr. Meyer, as managing head of the Bank, and Mr. Camille Gutt of Belgium, who holds a similar post in the Fund, are men of considerable experience. Being wise, they are proceeding cautiously. As Mr. Meyer puts it, "I don't want to be hurried." Yet, things must be got moving, for in September there will be a joint meeting of the governors of the Fund and Bank, presumably somewhere in this country. Such a meeting in September was provided for at the governors' inaugural meeting in Savannah last March. Indeed, the pressure of the desire of would-be borrowers from the international Bank's members is such as inevitably to "hurry" its officers.

The Bank has commenced to call in capital, not for the purpose of lending it out, it may be assumed, so much as to meet operating expenses and for "window dressing." And the Fund is preparing for the day this Fall when it will be able to announce that it is ready to begin operations and therefore to call upon members' countries to communicate the proposed par values of their currencies.

Information on what goes on in the Fund and Bank directors meetings is scanty. There is no bulletin board for the public's illumination. Occasionally, there is a small press conference, meagerly attended, for the subjects are too technical to be of interest to the average Washington correspondent. All press contacts, theoretically at least, have been entrusted by the two executive boards, to Mr. Gutt and Mr. Meyer, respectively. Since both Fund and Bank are international institutions, those two gentlemen have to tread carefully, lest unwittingly they offend some member of the board or commit some other error.

Although this system of han-

(Continued on page 3516)

Export-Import Bank Loan Requests

Poland, Brazil, Chile, Ethiopia reported to have made applications. Question of increasing lending power of Bank by $1\frac{1}{4}$ billion under consideration.

WASHINGTON, D. C.—The credits to Poland totaling $90,000,000, which the Administration has held up pending receipt of satisfactory assurances from that country as to free elections, free press, etc., are again about to receive the green light. It is presumed therefore that satisfactory assurances have now been received. Polish Ambassador Lange is now reported as stating that the press misquoted him saying that Poland was no longer interested in the American credits.

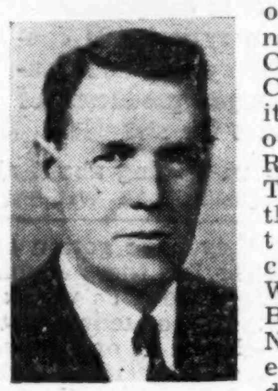
The Export-Import Bank is busy considering various other loan requests. Brazil, which has an ambitious five-year program of railroad, highway and port construction, is looking for $40 or $50 millions, and Chile, with a diversified program, is seeking another $20 million or so of money. Ethiopia has not quite such close claim on us, but is negotiating and will surely get something. The Brazilian case has aroused some differences of opinion among American officials, with some holding that a country whose dollar assets are growing should not come here for loans. But the opposite Washington view is that it is simply a case of financing American exports, and in that sense good business for the Bank to undertake. Then, too, there is the good neighbor program to remember.

Whether or not the administration will ask Congress for the extra $1,250 million for the Export-Import Bank as National Advisory Council once decided should be done this session, or wait until next year to do so is a question NAC may have to redecide under its new Chairman, Secretary of the Treasury John Snyder. The Administration has avoided complicating the handling of the British loans by asking for the money which, as is known, would be largely for Russia.

There has been no NAC meeting since Mr. Vinson's nomination to the Supreme Court was announced. The Export-Import Bank's relations with NAC under Snyder will be watched with interest. Some officials are hopeful that NAC will become tired of acting "as a loan council" and leave to Bank the work that Congress has assigned it. If so, there will be no need for Congress to clarify the relations of NAC and the Export-Import Bank.

Monetary Causes of Inflation Are Worldwide

PARIS, FRANCE — The inflation problem in most countries should be attributed to money causes, according to a report submitted to the Council of the International Chamber of Commerce by its committee on Monetary Relationships. The report of this committee, whose chairman is W. Randolph Burgess of New York, embodies a digest of the principles agreed to by the representatives of the Chamber's constituent nations. It begins with the following comment on the basic problems:


W. R. Burgess

"To-day's outstanding monetary problem is inflation. Many governments were successful in controlling prices during the war; but there is nevertheless a severe danger now of a repetition of 1920 and 1921. Prices are rising all over the world.

"To an important extent this inflationary tendency is due to non-monetary causes, such as the shortage of goods and deficient production, and rising cost due largely to higher wages.

"But in most countries the monetary causes are substantial. Among these causes are large accumulations of purchasing power, continued additions to this by deficit financing, and cheap money policies which involve monetization of debt and lead to rising values of equities.

"This increase in buying power must be arrested as rapidly as possible by bringing budgets under control, and in most countries means must be found of reducing existing purchasing power.

"With the world in its present disordered state, the achievement of these aims is not universally possible in the immediate future. Palliative measures and relief are essential in the interim period. But until countries have dealt with these problems it is premature to hope for full success in stabilizing exchanges or to expect an international flow of private investment funds, such as is necessary for a long term development program."

The report then lists the following "home truths" on which the foregoing comment is based:

"1. Economic laws, such as the law of supply and demand or Gresham's Law, are facts and are not decreed by man. All countries must adjust themselves to these laws, under penalty of first relapsing into chaos only to find themselves ultimately compelled to observe them, for they are stronger than human will.

"2. In the long run no economy can prosper if the State spends more than it receives, for the currency then deteriorates in spite of all legislation, restrictions and exchange control.

"3. Reliable currency and credit are indispensable to the development of production and trade which alone create real wealth.

"4. Currency stability is an essential condition of preserving, increasing, and in particular distributing wealth on an equitable basis. An increase of the mass of purchasing powers and particularly of wages, which does not correspond to an increase in the creation of goods, is an illusion and threatens currency stability.

"5. The instability of currency substantially lessens the creation of wealth, for it is a premium on gambling, and not on creative effort; moreover, it tends to accentuate social inequalities, falling with particular severity on the thrifty, the prudent, and those who supported their country's financial war effort by the purchase of bonds."

Mayer U. Newfield Is Named New Assistant Regional Director for New York SEC Office

Succeeds Irving J. Galpeer who has resigned to enter private law practice. Mr. Newfield has been with SEC since 1935 and was Chief of the Litigation & Enforcement Section of the Corporate Finance Division at Philadelphia for the last four years.

The Securities and Exchange Commission has announced the appointment of Mayer U. Newfield as Assistant Regional Administrator of the New York Regional Office to succeed Irving J. Galpeer who recently resigned to enter the private practice of law.


Mayer U. Newfield

Mr. Newfield joined the staff of Commission in 1935 as an attorney in the Atlanta Regional Office. For the past four years he has been Chief of the Litigation and Enforcement Section of the Corporation Finance Division in the Commission's main office in Philadelphia, Pennsylvania.

Charles S. Andes With The Ohio Company

CLEVELAND, OHIO—Charles S. Andes has become associated with the Ohio Company, 51 North High Street, Columbus. Mr. Andes for the past three years has been in the armed forces. Prior thereto he was with Wm. J. Mericka & Co. for many years.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Chain Stores 1946 — Brochure analyzing the general situation and several of the chains in various fields—Merrill Lynch, Pierce Fenner & Beane, 70 Pine Street New York 5, N. Y.

Fire & Casualty Insurance Stocks 1945 — Earnings comparison—circular on request—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Geared to the News—Brochure of comment and review containing brief analyses of **Philip Carey Manufacturing Co.; Sargent & Co.; The Upson Company; Lawrence Portland Cement Co.; The Parker Appliance Co.; Pettibone Mulliken Corp.; Armstrong Rubber Co.; Ohio Leather Co.; American Furniture Co.; Punta Alegre Sugar Corp.; Haytian Corporation of America; Latrobe Electric Steel Co.; Ray-O-Vac Company; Fort Pitt Bridge Works** and **Welch Grape Juice Co.**—Strauss Bros., 32 Broadway, New York 4, N. Y.

Increased Freight Rates—Memorandum on effects of ICC decision increasing rates—Vilas & Hickey, 49 Wall Street, New York 6, N. Y.

Investing for Appreciation — Suggestions—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Pacific Coast Trading in New York Stocks—Revised directory of stocks traded on Pacific Coast Exchanges—Available on request—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Paper Industry — Discussion of outlook which offers attractive opportunities for selected speculative commitments in paper company shares—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Public Utility Prospects — Discussion in current issue of **"Investment Guide"** with notes on several interesting issues—First California Company, 300 Montgomery Street, San Francisco 20, Calif.

Abitibi Power & Paper—Summary—Ernst & Co., 120 Broadway, New York 5, N. Y.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

American Glass Co.—Analytical brochure indicating speculative possibilities — Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

American Insulator Corp of Delaware — Statistical study — Peter Barken, 32 Broadway, New York 4, N. Y.

Amott Baker Realty Bond Price Averages—Current news bulletin —Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Arkansas-Missouri Power Corp. —Memorandum in the current issue of the **Preferred Stock Guide** containing quotations on unlisted public utility preferred and common stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Aspinook Corporation—Circular —Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; General Tin; Hartford Empire; Lanova Corp.; Mohawk Rubber; New Jersey Worsted; Oil Exploration;** and **Taylor Wharton Iron & Steel.**

Barcalo Manufacturing Co. — Bulletin report—Ward & Co., 120 Broadway, New York 5, N. Y.

Berkshire Fine Spinning Associates — New analysis — Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Canadian Western Lumber Co. —Circular—Maher & Hulsebosch, 62 William Street, New York 5, N. Y.

Central Public Utility Corp.— Analysis — Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Cities Service Company—Study of situation and outlook—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a summary of current **Railroad Reorganization Developments.**

Commodore Hotel, Inc. — Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, N. Y.

Consolidated Gas Utilities and The Chicago Corp.—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available is a recent memorandum on **The Muter Co.**

L. A. Darling Co.—One company in four growth fields — Analysis for dealers only—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Dwight Manufacturing Co. — Descriptive analysis—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Electric Boat Company—Detailed discussion of interesting issue —Arnhold and S. Bleichroeder, Inc., 30 Broad Street, New York 4, N. Y.

Gear Grinding Machine Co. — Circular for investment dealers—Write for Circular CC—Blair F. Claybaugh & Co., 52 Wall Street, New York 5, N. Y.

Grinnell Corporation — Memorandum indicating interesting outlook—F. J. Young & Co., Inc., 52 Wall Street, New York 5, N. Y.

Hammond Instrument Co. — Analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

Hydraulic Press Manufacturing Co.—Detailed analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill. Also a detailed analysis on **Miller Manufacturing Co.**

Justrite Manufacturing—Circular—Gottron, Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Kinney-Coastal Oil Company— Analysis—James M. Toolan & Co., 67 Wall Street, New York 5, N. Y.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y. Special letter available on **Citizens Utilities.**

Leland Electric Company — Analytical memorandum — Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

Macfadden Publications—Circular—C. E. de Willers & Co., 120 Broadway, New York 5, N. Y.

Master Tire & Rubber—Circular —Adams & Peck, 63 Wall St., New York 5, N. Y. Also available are circulars on **Textiles, Inc.** and **Central Paper.**

Midland Utilities Company and **Midland Realization Company** — Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a survey of **Northern Indiana Public Service Co.**

National Gas & Electric Corp. —Late memorandum on a stock offering combination of improving utility income, together with excellent speculative possibilities from oil developments—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

National Terminals Corporation — Circular — Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

New Bedford Rayon—Circular on attractive situation—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Also available is a circular on **Delaware Rayon.**

New England Lime Company— Descriptive circular — Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

Northwest Leather—Analysis — Raymond & Co., 148 State Street, Boston 9, Mass. Also available are analyses on **Sterling Motors, Buda, Pollak.**

Panama Coca Cola—Circular on interesting possibilities — Hoit Rose & Troster, 74 Trinity Place New York 6, N. Y.

Purolator Products, Inc. — Analysis — J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is the June issue of **Highlights of Wall Street** discussing several interesting situations.

Ralston Steel Car Co.—Circular on interesting situation with favorable long-term outlook—Lerner & Co., 10 Post Office Square, Boston 9, Mass

Revere Copper & Brass—Study of outlook — Edward A. Purcell & Co., 50 Broadway, New York 4, N. Y.

St. Louis Public Service "A" — Detailed memorandum — First Securities Company of Chicago, 134 South La Salle Street, Chicago 3, Ill.

Also available is a memorandum on **Standard Milling Co.**

Schenley Distillers Corporation —Brochure of articles they have been running in the Chronicle— write to Mark Merit, in care of **Schenley Distillers Corporation 350 Fifth Avenue, New York 1, N. Y.**

Scranton Spring Brook Water Service Co. — Analysis and summary—Graham, Parsons & Co., 14 Wall Street, New York 5, N. Y.

Sheller Manufacturing Corp. — Recent report—**Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Sterling, Inc.—Circular—Richard J. Buck & Co., 39 Broadway, New York 6, N. Y.

Upson Co. — Descriptive Circular—Seligman, Lubekin & Co. 1 Broad Street, New York 4, N. Y.

Also detailed circulars on **Tennessee Products; Wellman Engineering Co.; Shatterproof Glass Temple Coal.**

U. S. Realty-Sheraton Corp. — Circular on interesting opportunity in shares which have just been listed on the New York Stock Exchange—Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.

Wellman Engineering—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Eastern Corporation** and **Western Light & Telephone.**

York Corrugating Company — Analytical study—Floyd D. Cerf Company, 120 South La Salle Street, Chicago 3, Ill.

Harold P. Smith Now With Hicks & Price

CHICAGO, June 25—Announcement is made today of the retirement of Harold P. Smith, trust officer of the Continental Illinois National Bank and Trust Company of Chicago, and his association with the New York Stock Exchange firm of Hicks & Price, 231 South La Salle Street. Mr. Smith joined the Continental in the trust department 40 years ago and has been trust officer since 1928. Hicks & Price are members of the New York and Chicago Stock Exchanges, Chicago Board of Trade, Chicago Mercantile Exchange and associate members of the New York Curb Exchange.

Public Utility Securities

Ohio Edison New Common Stock

Ohio Edison Company (controlled by Commonwealth & Southern) on Monday of this week received bids for 204,153 shares of additional common stock, bringing the total amount to an even 2,000,000 shares. One object of the financing was to establish a market price for the entire issue which could be used in evaluating it if the parent company should decide to offer some of its holdings in exchange for its own preferred stock. Ostensibly, however, the stock was issued for additions and betterments, including a 60,000 kilowatt steam generating installation.

The bids ranged from $35.43 a share to the successful bid of $39.25 made by the Morgan Stanley group. At this writing the exact retail price has not been named but it is expected that, subject to SEC approval, the stock may be reoffered at around 41¼. Since the management has indicated its intention to continue dividends (during this year at least) at the annual rate of $2, this retail price would represent a yield of about 4.86%. This compares with a yield of over 5.00% on the recent offering of Dayton Power & Light and about 4.50% on Columbus & Southern Ohio Electric. Dayton, however, has advanced in price and Columbus has declined, so that at the moment the ruling yield on new offerings of investment calibre would appear to lie between 4.75% and 5.00%—which is, of course, well above the average current yield for seasoned issues.

Ohio Edison's earnings per share are now considerably in excess of the amounts earned in recent years, due largely to the substantial tax relief obtained under the new law. Earnings this year are estimated at close to $3 a share compared with $1.24 actual in 1945 and about $2.91 on the new tax basis (all on the increased number of shares). The latter figure is obtained as follows: Excess profits taxes in 1945 were $2,328,637, to which may be added accelerated amortization (equivalent to tax savings) of $1,360.219 and other special charge-offs of $2,027,664—making a total of $5,716,520. Of this amount it is estimated that about 55% could have been saved under the new tax law (substituting the present 38% tax rate for the old 84½%). The saving would approximate $3,150,000, plus about $200,000 decrease in regular income taxes, or a total equivalent to $2.91 per share on the new common.

It has become customary to "discount" substantial earnings gains of this kind because of the fear that much of the advantage may have to be given away in rate cuts—as has occurred in California, Illinois and Indiana. However, Ohio Edison's rates are already very low. In the 12 months ended April 30, 1946 the average residential rate per kwh. was only 2.79 cents — far below the U. S. average; and the average usage was 1,674 kwh., above the average for the entire country. Moreover, rates within municipalities are largely fixed by contract for periods of three to ten years, and about one-third of Ohio Edison's revenues are derived under such rates (most of the rate schedules have many years to run).

Ohio Edison's consolidated utility plant is carried at original cost of $120,690,530 except for a very small item of intangibles, and plant acquisition adjustments amounting to $14,912,226 (which amount is being amortized). The depreciation reserve is $27,414,504 or about 23% of original cost. Capital ratios on a pro forma basis are about 59% debt, 18% preferred stock and 23% common stock equity.

An important point in connection with the present stock offering is that it represents "new money" rather than a sale of stock by the parent company, as is usually the case. Along with the recent issue of additional stock by California Electric Power, this represents virtually the first equity financing by utility companies for capital improvements of any size which has occurred in many years. In this respect the sale presents an advantage over other sales since the new money should automatically increase both the rate base and the future earning power.

It is rather peculiar that a substantial part of the utility industry in the State of Ohio is coming on the market in 1946. Following recent sales of Dayton P. & L. and Columbus & Southern Ohio Electric, the present offering of Ohio Edison may be followed sometime later this year with sale of Ohio Public Service by Cities Service Power & Light Co.

Ohio Edison serves the important cities of Akron, Youngstown and Springfield and covers an important industrialized area in the northeastern section of Ohio, together with a separate area adjacent to Springfield in the western part of the State. It also controls Pennsylvania Power Company which serves New Castle, Sharon, etc., in a Pennsylvania section closely adjoining the Youngstown area of the parent company.

D. F. McNamara With Albert Frank

Daniel F. McNamara, for the past eight years on the reportorial staff of "The Wall Street Journal," has become associated with

Daniel F. McNamara

Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, advertising agency. Except for U. S. Army service in World War II, Mr. McNamara has been identified with the financial community for the past twenty years.

Scully & Binford With Dittmar in Dallas

DALLAS, TEX. — Kenneth W. Scully and Joseph B. Binford have become associated with Dittmar & Co., Construction Building. Mr. Scully was formerly of the research and statistical department of Kalman & Co. of St. Paul and Minneapolis; he was recently separated from the Army Air Forces after 51 months of service, with the rank of captain. He was for a year in the bond department of the Minnesota State Banking Division. Mr. Binford prior to entering the AAF was with Firemen's Insurance Co. of Newark, N. J. and affiliates in the Dallas and Houston offices.

Ohio Brevities

Stockholders of Higbee Co., large Cleveland department store, approved the four-for-one split of common shares, increasing the number of outstanding shares to 566,054.

Directors declared a dividend of 12½ cents a share on the new common, which doubled the old rate of 25 cents a share.

Vice-President and Treasurer George E. Merrifield, said all officers were re-elected and Stanley Buchan was elected assistant controller. Directors voted a preferred dividend of $1.25 a share, payable Aug. 1 while the common disbursement is payable July 15.

* * *

A Harris, Hall & Co. group, which included Hayden, Miller & Co. of Cleveland, offered publicly $1,780,000 of 1½% serial equipment trust certificates of New York, Chicago & St. Louis Railroad (Nickel Plate). The notes were offered at prices to yield 1% to 1.70%. Proceeds will be used to finance purchase of 500 fifty-ton all steel box cars and 100 seventy-ton all-steel hopper cars.

* * *

Elmer A. Schwartz, who at 45 has 27 years of experience in the steel industry behind him, has been appointed president of Portsmouth Steel Corp., organized earlier this month by Cyrus Eaton, Cleveland industrialist, and a group of associates, including William R. Daley, President of Otis & Co.

The new corporation was formed to acquire the Portsmouth, Ohio, Works of Wheeling Steel Corp., and on June 25 offered 1,025,000 common shares to the public at $10 a share. Otis & Co. heads the underwriting group.

Schwartz, who started his steel career with Jones & Laughlin in 1919, leaves the post of assistant manager of the Youngstown district for Republic Steel Corp.

Schwartz joined Youngstown Sheet & Tube in 1923 and, after completing an apprenticeship in all of the company's operating departments, specialized in open hearth work. He was superintendent of the open hearths at Youngstown's Brier Hill works in 1940 when he became chairman of the open hearth committee of Republic Steel in Cleveland.

Eaton stated the Portsmouth concern will supply a "substantial" portion of steel to Kaiser-Frazer Corp. for the Kaiser and Frazer cars and to Graham-Paige Motors Corp.

He also announced that an additional 300,000 shares of Portsmouth Steel common will be issued, of which Kaiser-Frazer had agreed to purchase 200,000 shares and Graham-Paige 100,000 shares at the public offering price. The purchase price of the Portsmouth Works was put at $12,000,000.

Le Roi Co. of Milwaukee, manufacturers of industrial gas and gasoline engines, air compressors, mowing machines and engine-generator sets, plans to buy a new plant in Cleveland with part of the proceeds from a proposed stock offering filed last week.

Wisconsin & Co. of Milwaukee, will lead the underwriting group which will offer publicly 40,000 shares of 4½% $50 par value cumulative convertible preferred stock. Plans are to expend over $1,625,000 this year for expansion of which nearly half will be used to expand the plant and purchase of a Cleveland plant, the company said.

* * *

Glenn L. Martin Co., aircraft maker located in Cleveland prior to moving to Baltimore, said plans have been completed for the construction of several industrial buildings on a 10-acre site near Painesville, just east of Cleveland.

Martin stated these buildings will represent initial construction in a $1,500,000 chemical plant where synthetic resins will be manufactured and that the plant would have a capacity of 11,000,000 pounds annually. The resins will be used for production of heels, transparent garden hose, surgeon's gloves and many other items, he declared.

* * *

Ball, Burge & Kraus of Cleveland, and Stoetzer, Faulkner & Co. of Detroit, will head the underwriting group that will offer 60,000 shares of $1 par value common stock and 22,500 shares of $10 par value 5% cumulative convertible preferred stock of Prestole Corp. of Toledo. Proceeds are expected to net the company $477,000.

* * *

Hiram S. Rivitz, President of Industrial Rayon Corp., announced that the company will redeem on July 8 all outstanding $4.50 preferred shares, Series A, with a par value of $9,750,000, at $104 and accrued dividends.

* * *

Otis & Co. made a public offering of 130,000 shares of common stock of L'Aiglon Apparel, Inc., of Philadelphia, at $6.50 a share.

Of the total, 80,000 shares represented new financing by the company and 50,000 shares were purchased from shareholders.

Proceeds will be used for purchase of new machinery and equipment and for acquiring an additional plant site for a new plant. The company expects to start operations shortly in Hagerstown, Md.

* * *

Approval of a plan to change 35,300 shares of capital stock of

$100 par value into 353,000 shares of $10 par, was voted by stockholders of Union Bank of Commerce. President John K. Thompson said the 10-for-1 exchange of shares would be effective soon.

* * *

Jack & Heintz Precision Industries, Inc. announced a change in officers, in which William S. Jack was named President.

Officers said Jack was made board chairman and B. C. Milner, Jr., New York industrialist, President at a March meeting but at a meeting held early last month Jack became President, Milner was made chairman of the company's executive committee, and Byron C. Foy, director of Chrysler Corp., chosen board chairman. Jack & Heintz gained considerable preminence during the war with its liberal employe policies.

* * *

Pittsburgh Consolidated Coal Co. has acquired all of the Ohio coal mining properties of Hanna Coal Co. from the M. A. Hanna Co.

M. A. Hanna Co. said the consideration for the transfer of the properties was the issuance of 325,000 shares of stock by Pittsburgh Consolidated which stock Hanna will hold for investment.

"This move concentrates in the Pittsburgh Consolidated all the bituminous coal mining operations in which the Hanna company is interested," the company stated. "The operation of these properties will continue in the name of the Hanna Coal Co., without change of personnel."

* * *

Mervin B. France, executive vice-president of the Society for Savings bank, has been elected a director of Consolidated Grocers Corp., filling a vacancy resulting from the death last April of Colonel A. A. Sprague.

Before coming to the Society for Savings 12 years ago, France was an officer of the Union Trust Co. of Pittsburgh.

Skall, Joseph, Miller N. Y. Exchange Firm

CLEVELAND, OHIO—Acquisition of a New York Stock Exchange seat and the admission of three new partners are announced by Skall, Joseph, Miller & Co., Union Commerce Building. The firm will begin its New York Stock Exchange operations July 1.

The Stock Exchange membership is held by Harold M. Masius of New York, who enters the firm as a general partner. He will represent Skall, Joseph, Miller & Co. on the floor of the exchange, where he has acted as a specialist for several years.

Entering the firm as special partners are two Clevelanders, Sidney N. Amster and Robert Hays Gries. Mr. Amster is Treasurer of the Lane Drug Co. of Toledo and was formerly President of the Cummer Products Co. of Bedford. Mr. Gries was an executive of The May Co. Department Store in Cleveland for a number of years, resigning as Store Manager to serve during the war in the Army Air Forces, where he was commissioned a Captain.

Other partners of Skall, Joseph, Miller & Co. are David G. Skall, member and former President of the Cleveland Stock Exchange; Herman B. Joseph, and Lester I. Miller, formerly Executives of Joseph & Co., Inc. The firm's New York correspondent for Stock Exchange business will be Kalb, Voorhis & Co., member firm headed by John Kalb, widely known securities analyst.

Weil Adds Ullman to Staff

NEW ORLEANS, LA.—Weil & Co., Richards Building Arcade, have added J. Edmund Ullman to their staff.

Merger of Mellon Securities Corp. Into First Boston Corp. Voted by Directors

Two of the leading investment banking firms in the United States, The First Boston Corp. and Mellon Securities Corp., will be merged July 31, subject to approval on July 29 by two-thirds or more of the stockholders of both corporations.

Directors of The First Boston Corp., meeting in New York, and directors of Mellon Securities Corp. meeting in Pittsburgh, Tuesday

Allan M. Pope

John R. Macomber

Harry M. Addinsell

afternoon, approved terms of the merger of Mellon Securities Corporation with and into The First Boston Corporation, bringing into existence a securities organization with the largest amount of capital —over $25,000,000—of any in the investment banking business.

The proposed merger was announced in New York by John R. Macomber, Chairman of the Board of Directors of The First Boston Corporation, and in Pittsburgh by Frank R. Denton, President of Mellon Securities Corp.

(Continued on page 3519)

Sees Better Business Ahead

Committee on National Association of Purchasing Agents headed by George E. Price, Jr., reports an upward swing, with production still low and materials short. Says prices are firm, and looks for an upward trend until competition and production, plus buyers' resistance, cause some stabilization. Sees little likelihood of built-up inventories until late in 1947; and holds "business was never more confused and uncertain."

A report of the National Association of Purchasing Agents' Business Survey Committee, comprising the composite opinion of its members, whose Chairman is George E. Price, Jr., Purchasing Agent of the Goodyear Tire and Rubber Co., and published in the Bulletin of the Association of June 26, states there is a "swing to better business," but points out that at present "business was never more confused and uncertain."

George E. Price, Jr.

The text of the report follows:

General Business Conditions

A swing to better business is noted in reports as compared to a month ago. The settlement of major strikes has already had its effect, in a turn toward better business. New business appears to be coming in volume; production, however, is still low. Inability to secure materials seems to be the major obstacle at the moment. Many concerns are scheduling vacations earlier this year, hoping for an improved material situation.

The great pent-up demand for all types of goods is bound to result in increased production—barring further major strikes.

Business on the West Coast con-

(Continued on page 3515)

Real Estate Securities

Jones Estate Common Stock—(Squibb Building)

With earnings of office buildings and hotels still climbing to higher levels permitting in most instances rapid amortization of existing fixed indebtedness, investment interest has begun to veer quite markedly from real estate bonds to the stock equity in these properties.

One such attractive situation is the common stock of the Jones Estate Corporation, owner of the 32-story office, store, and showroom Squibb Building completed in 1931, and the land on which this structure has been erected located at the southeast corner of 58th Street and Fifth Avenue in New York City. The section, one of the most highly desirable locations for a building of this type, is in the heart of New York's principal shopping area near at hand to the exclusive hotels and residential apartments of the Central Park area.

The original loan underwritten by S. W. Straus & Co. in 1929 to finance the construction was $4,500,000 in First Leasehold Mortgage Bonds. In the reorganization in 1933 this issue was cut to $450,000, the bondholders, at this time, receiving one share of common stock for each $10 of new bonds. The fee was bought by placing a first mortgage of $4,365,000 against the property, this mortgage being junior in lien to the underlying mortgage of $635,000. In addition, the Squibb interests subscribed to $1,000,000 of the new second mortgage bonds.

In 1945, under a plan of recapitalization, new 4% cumulative preferred stock was offered to second mortgage bondholders on the basis of 1½ shares per $100 in bonds. After this exchange was consummated, the second mortgage was reduced to $318,810 and subsequently paid off with accrued interest of $94,271 on April 1, 1946. On Nov. 1, 1944 the company refunded the then outstanding $4,265,000 first mortgage, with a loan of $4,250,000 from the Metropolitan Life Insurance Company. This loan bears interest at 4% and requires annual amortization payments of $100,000.

The present capitalization of the Squibb property now consists of:

First 4% Mortgage	$4,125,000
$4 Preferred Stock—	
$1 par value	16,968 shs.
Common Stock—	
$1 par value	180,000 shs.

The Squibb interests own 16,773 shares of preferred stock and 122,511 shares of the common stock.

For the year ended Jan. 31, 1946, the building earned $194,899 after a charge of depreciation of $83,753 and an interest expense on the junior mortgage bonds of $18,619 (this charge will no longer occur as the bonds have been redeemed). This was equivalent to $1.55 per share of common stock before depreciation and $1.08 after depreciation.

Since modern, excellently located office buildings are being appraised at nine times their annual rental income a value of $10,000,000 placed on this property would not be excessive. This would place a value of approximately $23 on each share of common stock. In addition the reduction of the first mortgage by yearly amortization payments of $100,000 and of the preferred stock by an annual sinking fund of $150,000, will have the effect of increasing this equity per common share, as well as providing additional earnings for the common stock of $10,000 in 1947, $20,000 in 1948, etc. through the reduction in fixed charges.

Winchell Scooped!

In his broadcast of last Sunday night, Mr. Winchell informed his audience that the hotel industry is shortly destined to become embroiled in labor disputes. This was not news, of course, to readers of the "Chronicle," for in this column of Thursday, June 20, the subject was discussed as follows:

"Speculators in hotel bonds might do well to check into the earning situation of their investments very thoroughly. Labor contracts expire very shortly and the Unions are asking for a 30% increase in wages plus a reduction of working hours from 47 to a 40-hour week. Should the Unions be successful in their demands it will seriously affect the earnings of many hotels in New York."

Sidney Weinberg Given Honorary Degree

Mr. Sidney J. Weinberg, Senior Partner of Goldman, Sachs & Co., Investment Bankers, received the honorary degree of Doctor of Laws at Trinity College, Hartford, Conn., for his outstanding contribution during the war. Mr. Weinberg was Vice Chairman of the War Production Board from Oct. 1941 to Aug. 1945.

Sidney J. Weinberg

Mr. Weinberg is a director of National Dairy, B. F. Goodrich, Sears, Roebuck, General Electric and General Foods.

Predicts House Fight on Senate Silver Bill

Congressman Emanuel Celler calls Senate Silver Price Rider to Treasury Department Appropriations Bill iniquitous and contends it puts a premium on speculation and fosters inflation.

WASHINGTON, D. C., June 26—There is indication there will be a bitter contest over the silver price measure adopted Jan. 21 by the Senate as a rider to the Treasury appropriation bill when the question is taken up by a joint conference committee of House and Senate according to Representative Emanuel Celler (Dem. N. Y.), who gave the following exclusive statement to the "Chronicle" correspondent:

Emanuel Celler

"The House will fight the Senate silver compromise rider to the Treasury Appropriation Bill and will insist on restoring the language of the rider as originally drafted in the House Appropriation Committee many weeks ago. That House language calls for sale of surplus Treasury silver at 71 cents, the present statutory price for newly mined domestic silver, as against the 90½ cents and $1.29 provisions of the Senate rider.

"I cannot understand how the upper House passed that silver rider unchallenged. Not a single word was uttered from the floor against it. The House is wild about this outrage. The Silver Senators in true wild west fashion are telling us, 'Stand deliver!'

"Two particularly iniquitous features of the Senate silver draft are the repetition of the special silver transaction pact and the increase in silver certificates. The former would put a premium on speculation. Men have hoarded silver. I have here some of their names to get a free ride at public expense by the repetition of this pact. The House will, I earnestly trust, reject this legislative robbery and insist upon its own proposed provisions to relieve the distress of consumers of silver in a large number of important industries.

"Just as bad as the repetition of the tax is the Senate provision calling for an increase in the number of silver certificates to be issued as a result of the price increase which the Senate wants. This would be sheer inflation at a time when inflation is our biggest domestic threat."

Senate Approves 90.3c Silver

Agrees to rider attached to Treasury Department Appropriations Bill, which would raise silver price from 71.11c to 90.3c per troy ounce until June 30, 1948, and thereafter to $1.29, its monetary value.

On June 21, the Senate approved the rider to the Appropriations Bill for the Treasury Department, which provides for the sale of surplus Treasury silver at 90.3 cents per troy ounce until June 30, 1948, and thereafter at $1.29, its present full monetary value. At the time of the vote it is reported that there were barely 15 members on the floor of the Senate.

The Senate rider differs from the House measure, which retains the present price of 71.11 cents, so the matter is now to be settled by a conference committee. The "Silver Bloc" in the Senate have urged that in view of the worldwide increase in price of silver bullion, the Treasury was making an unfair profit from its monopoly purchases of the metal, while the Senators from New England and other sections where silverware is manufactured or used for industrial purposes, were opposed to any substantial price rise. The measure was also opposed by various groups, such as the Economists Committee on Monetary Policy, as indicated in previous issues of the "Chronicle."

Among the Senate conferees appointed on the bill are Senators Pat McCarran (D., Nev.) and Carl Hayden (D., Ariz.) who are expected to lead the fight, with Senators Chan Gurney (R., S. Dak.), and Clyde M. Reed (R., Kan.), supporting them; Sen. Kenneth McKellar (D., Tenn.), Millard Tydings (D., Md.), Wallace H. White (R., Me.), and Josiah W. Bailey (D., N. C.).

The House conferees have as yet not been selected.

Sweney Cartwright Adds Daniel Taylor to Staff

COLUMBUS, OHIO—Daniel H. Taylor has become associated with Sweney, Cartright & Co., Huntington Bank Building. He was formerly with Stranahan, Harris & Co.

National Reconversion Policies And Developments

By AMOS E. TAYLOR*

Director, Office of Business Economics, Department of Commerce

Commerce Department official reviews recent trend of economic activity and contends physical volume of production is above one and half times greater than 1939. Lays absence of pronounced decline in postwar production to new capital investment and heavy consumer purchases. Lists problems of reconversion policy as (1) rapid return of peacetime goods at high level; (2) adjustment of wages to offset wartime take home pay; and (3) continued control over prices. Concludes benefits to be derived from rising production and sustained high employment will depend on soundness of the price structure. Sees no immediate need for agricultural parity prices.

Any transition from a wartime to a peacetime economy is likely to be viewed emotionally, as the joy at the war's end is succeeded first by a sobering realization of the complexity of the reconversion job and then by alternating stages of optimism and concern as particular events seem to offer aid or hindrance. Recently the prevailing state has been one of irritation brought on by the abrasive effects of industrial disputes, debates over the future nature of OPA controls—

Amos E. Taylor

which to some seem to prevent full exploitation of existing opportunities—and continuing scarcities of some kinds of consumer goods. Yet throughout this period there has been an underlying feeling, too, that things aren't basically so bad as many persons had feared—that things are working out.

There is good reason for this underlying feeling. The decline in overall economic activity since V-J Day was far less sharp than had been expected, and even though this means that the problem of coping with inflation has been made more difficult, on balance we must recognize that so far we have avoided the evils of large scale unemployment and deflation.

Trend of Economic Activity

The recent trend of economic activity is of sufficient importance to warrant a few figures. The gross national product, which is

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*An address by Mr. Taylor at joint meeting of the Pacific Coast Board of Intergovernmental Relations and the American Municipal Association Western Conference, Mt. Hood, Ore., June 21, 1946.

Federal Reserve Board Agrees to Discuss Margin Rules With Customers' Brokers

Representative of the Board of Governors of the Federal Reserve System is scheduled to meet soon with Donald C. Blanke, President of the Association of Customers' Brokers, to discuss a suggestion made by the Association that margin requirements for stock purchases and sales be relaxed. Association feels that the present thinness of the markets is due to the margin rules and believes that the recent tendency for stock prices to drop illustrates why what it is advocating should be adopted.

The Association of Customers' Brokers is still trying to get the Board of Governors of the Federal Reserve System to lower margin requirements for stock purchases and sales, as an aid to restoring the strength which, it feels, naturally belongs to the securities markets.

Donald C. Blanke

It was just a little over a month ago that the Association first wrote to the Broad urging it to reconsider its position on margin regulations with a view to relaxing the rules. The letter, printed in these columns (issue of May 23), advised in the strongest terms that such action should not be delayed until the securities markets are declining and pointed out that the Association had certain suggestions regarding the matter that it would like to discuss with the Board, if the Board so desired. Correspondence has passed between the Board and the Association since then and, it has been learned, the Board has now agreed to send a representative to New York to see Donald C. Blanke of Eastman, Dillion & Co., the President of the Association.

The Association wants to reopen the question or margin requirements without delay because it believes that the present thinness of the stock markets is due to the tight margin regulations, and it is worried about how the markets will react in the event of any large volume of liquidation. A large number of people who could safely participate in stock market transactions are barred from all activity on the exchanges by the margin rules as they stand, the Association holds.

There is a feeling among some Government men closely connected with market operations that there is now plenty of cash around and that the markets will absort "anything." According to their way of thinking, there is absolutely no need for a relaxing of the margin requirements at this time. In fact, they profess to see dire consequences if the rules are relaxed.

The precipitous drop in the bid prices of many stocks during recent spells of weakness, however, reveals what can happen in a thin market, according to some market analysts, including members of the Association.

Though the tendency of stock to drop inordinately, which has recently manifest itself, may not reflect a true trend, the Association when it made its original proposal to the Federal Reserve wanted the Board of Governors to act before the markets showed any signs of weakness at all.

The Association feels that the market action of the last week may very well indicate to the Federal Reserve itself the wisdom of again permitting margin trading.

Kalb, Voorhis & Co., New NYSE Firm, Opens

The newly formed firm of Kalb, Voorhis & Co., members of the New York Stock Exchange, will commence business on July 1,

John Kalb

Peter A. H. Voorhis

with ofifces at 15 Broad Street, New York City. The general partners are John Kalb, Peter A. H. Voorhis John C. Newsome, Spencer Phillips, Gilbert H. Wehmann and Louis Orchin.

Mr. Kalb has recently resigned as a senior partner of Lewisohn & Co. where he developed and managed their investment research de-

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"Share Thru Care" Campaign Inaugurated To Send Food Packages to Europe

Cooperative organization to distribute 3,000,000 Army surplus food packages to 10 European countries.

"Any move that is made to supply Europeans with food now will be beneficial to us in the long run," according to Colonel Paul P. Logan, Food Research Director of the National Restaurant Association. Colonel Logan spoke June 21 at the Biltmore Hotel, New York City, at the launching of the "Share Thru CARE" campaign to move food to hungry people in Europe, sponsored by the Cooperative for American Remittances to Europe, Inc., popularly known as CARE. General William N. Haskell, Executive Director of CARE, in introducing Colonel Logan, announced the inauguration of the nationwide CARE campaign which is expected to effect the distribution of approximately 3,000,000 Army surplus "10-in-1" food packages to people of the 10 European countries participating in the CARE plan.

Col. Paul P. Logan

Of the 49 pound package, which is the largest food package unit that can be sent abroad under existing regulations, General Haskell said that the CARE package "offered the American people an unprecedented opportunity to render a great service to the people of Europe, and a chance to participate in a personal and concrete way in a program set up to meet a very great existing need."

Colonel Logan, former Chief of Army Food Service in the Office

(Continued on page 3521)

N. Y. Security Dealers Discuss SEC Proposal

The New York Security Dealers Association will hold a meeting tomorrow (Friday) at the Bankers Club, with the principal topic being the recent request of the Securities and Exchange Comsion that Congress make it mandatory for unregistered corporations to make public data comparable to that now required of companies whose securities are listed on the exchanges. The President of the Association is C. E. Unterberg, head of C. E. Unterberg & Co.

To Redeem Norway Bds.

Holders of 25-year 4% sinking fund external loan coupon bonds, due February 1, 1963, of the Kingdom of Norway are being notified that $471,000 principal amount of these bonds have been drawn by lot for redemption through the sinking fund on August 1, 1946, at par. Redemption will be made at the head office of The National City Bank of New York, 55 Wall Street, New York.

Snyder With Mead, Miller

BALTIMORE, MD.—Joseph Snyder has become associated with Mead, Miller & Co., First National Bank Bldg., members of the New York and Baltimore Stock Exchanges.

Canadian Securities

By WILLIAM McKAY

Outstanding Canadian success in the fields of financial and economic management has induced abroad an over-optimistic opinion concerning the Dominion's immediate prospects. Thus the recently issued Foreign Exchange Control Board Report to the Minister of Finance performs an opportune service in correcting many external illusions.

From this report the clear impression is gained that Canada does not consider her present position basically changed in comparison with the conditions prevailing before the war. The facts and figures produced demonstrate that the economy of the Dominion is subject to wide fluctuations caused largely by external factors. Such influences are mostly incapable of control from within. The inherent weakness of the Canadian economic position is the overwhelming dependence on foreign markets and the absence of an effective counterpoise in the shape of a large domestic market capable of absorbing the Dominion's tremendous per capita volume of production.

It is pointed out that Canada's rapid transition from a debtor to a creditor position in recent years was due to developments of a temporary rather than of a permanent nature. The principal causes were the special U. S. war-time purchases under the Hyde Park Agreement, the unusually large exports of grain, and the large influx of capital from this country in the form of the purchase of Canadian securities. Attention is drawn to "the need for ample exchange reserves to protect an economy like that of Canada from instability resulting from fluctuations in its balance of international payments." Emphasis is also given to the point that notwithstanding the war-time rise in the total of liquid reserves the Canadian balance of indebtedness vis-a-vis the United States dollar area was substantially the same at the end of 1945 as at the outbreak of war.

Thus a general conclusion can be reached that those responsible for the direction of Canada's post-war economic policies will not lightly abandon the principle of far-sighted caution that has played such a large part in Canada's successful management during the war. Indeed the situation today calls for an even greater measure of prudence. The special war-time factors previously mentioned have now ceased to operate and the outlook for international trade is evenmore uncertain today than before the war.

Ultimately with the continuance of the capable management of the Dominion's economic affairs and the fuller exploitation of its unrivalled nautral resources, Canada will emerge stronger than ever but in the meantime nothing will be done to jeopardize the current comparative stability that has only been achieved as a result of constant careful effort. Consequently it can be anticipated that the war-time controls and restrictions will not be lightly discarded and any basic change such as the restoration of the old parity of the Canadian dollar would appear to be out of the question at the moment.

During the week the market for external issues remained at a standstill except for scattered trades in Albertas and Saskatchewans. Following the recent isolated but important purchase of Dominion internals this section was also dull and free funds were unchanged at 9¼%. There was a notable absence of information concerning the proposed Montreal refinancing operation which would indicate yet another postponement.

With regard to immediate prospects there is still nothing to suggest any important rally in investment markets as a whole. On the contrary it would appear that previous suggestions of caution are being increasingly observed.

John W. Snyder New Treasury Head

Promises to work for reduced public expenditures and a balanced budget. Urges world cooperation in the spirit of the Bretton Woods Agreements. His career one of advancement in field of finance.

On June 25, John W. Snyder, former Mobilization and Reconversion Director, and a close friend of President Truman, became the 52nd Secretary of the Treasury, succeeding Fred M. Vinson, who was recently made Chief Justice. Mr. Snyder was sworn in by the new Chief Justice on the portico of the Treasury Building. In a brief address following his induction Mr. Snyder stated that he proposed "to balance the budget in 1947." He also advocated full cooperation in financial affairs with other nations in the spirit of the Bretton Woods Agreements, saying "we cannot have a prosperous nation, or a peaceful one, without a stable world." He also asserted that the domestic stabilization program was practically completed and that the country is producing more than ever before.


John W. Snyder

The following is the prepared text of Mr. Snyder's address:

No man can take office as Secretary of the Treasury in our time without feeling humble before the weight of responsibility which this high office brings. I shall do my best, and it is my fervent hope that I shall be equal to the task.

I am truly honored to have here with me on this great day of my

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Goofy Notions On Way Out

Predicting that demagogues and intellectual racketeers will soon be out of fashion, M. S. Rukeyser calls on bankers for real leadership when "inflationary chickens come home to roost."

Political and economic change of farreaching proportions is under way in the United States, according to Merryle Stanley Rukeyser, syndicated economic columnist, editorial writer, and lecturer, of New York, in a closing address at the 50th convention of the Wisconsin Bankers Association at the Hotel Schroeder, Milwaukee, on June 20.


Merryle S. Rukeyser

Mr. Rukeyser called upon bankers to prepare themselves to give practical and public spirited leadership during the coming days when inflationary chickens will come home to roost.

"Demagogues and intellectual racketeers of both parties are fast going out of fashion," Mr. Rukeyser declared, "and this is good news of first rate importance. For goofy nations, translated into political action and falsely labelled as economic planning, have bogged down the national economy at this time when we should be in the midst of an active replenishment boom in restoring the meager inventories of civilian goods.

"From coast to coast, in primary elections, common sense Americans have shown their distaste for fakers aspiring to public office, and have expressed a strong preference for public servants of integrity who believe ardently in the American system. But when sound ideas and capable management are restored, it will be necessary to effect reorganizations to liquidate past blunders and excesses. It is important for bankers, who understand the science of numbers, to help make it clear to the public that the need for corrective action was created by past excesses and follies. Otherwise the ousted politicians will seek to sell the blue sky idea that the troubles stemmed from the voters' determination to throw the rascals out."

Mr. Rukeyser declared that the chapter in war production revealed anew to the whole world that the American private enter-

(Continued on page 3520)

Post-War Export Quotas

By ROBERT C. TURNER*

Director, Bureau of International Supply
Civilian Production Administration

CPA official refutes views government is scandalously negligent in permitting large export of materials and products in short supply or that, contrariwise, it is throttling U. S. export trade. Explains working of joint committee on export controls and lists criteria for setting up export quotas as (1) historical precedent; (2) direct benefit to U. S.; and (3) impact on U. S. economy. Says CPA, in its task of prohibiting overseas shipments that would drain material and equipment essential to reconversion, has no choice but to exercise restraints over exports.

There is today an amazing amount of misinformation and misunderstanding in the press and in public conversation about U. S. exports and export controls (or lack them) in this post-war period. Judging from the comments quoted in the newspapers, or from the letters of protest written to us or to the Congress, a great many people in this country hold one or the other of two widely opposed views, which may be paraphrased somewhat as follows:

1. The Government is being scandalously negligent in permitting large exports to undeserving foreigners of materials and products in critically short supply, at the expense of domestic employment, essential consumption. U. S. veterans or the long-suffering homemaker whose impatience at standing in line is about at the explosion point. Or:

2. The Government, through the imposition of extensive and enerous controls, is throttling U. S. export trade, upon which the long-run prosperity of this country depends.

I should add, by the way, that those who hold the former view are, overwhelmingly, in the majority.

So today I hope to tell you, and through you perhaps a larger audience, about the kind of job we are trying to do and the type of balance we are trying to maintain.

Since the end of the war, we in the CPA have followed the same policy with respect to decontrol in the exports field that we have followed in the domestic field. In the case of materials and equipment which have continued in critically short supply and which appear likely to be exported in excessive quantities, we have considered it necessary to exercise strict export controls. The same is true in cases where there is serious maldistribution, as between foreign countries, of

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*An address by Mr. Turner before the Commerce and Industry Association of New York, New York City, June 13, 1946.

The Crazy Real Estate Market

By ROGER W. BABSON

Mr. Babson, asserting "some day there is bound to be a crash in price of houses," advises those who own houses but do not occupy them to sell at present prices, and anyone who can get on without buying a house should do so. Says it will be unlikely that you can get a decent house at a fair price before 1950.

The market for houses—both old and new—is today as crazy as was the stock market in 1929. Some day there is bound to be a crash in the price of houses such as came to the stock market after the last big boom. Houses that cost $8,000 or more to build twenty years ago and which could have been bought ten years ago at $6,000 are now being sold at $12,000 or more.

Roger W. Babson

Reasons For The Boom

There are three reasons for this unhealthy boom in houses: (1) The discharge from the army of 12,000,000 men, a large percentage of whom have been married during the past five years and now naturally want a home. (2) The crazy regulations of the government making it difficult to build new homes. (3) The labor union rules and the aim of their members to do as little work, instead of as much work, in the day as possible. Hence, it is difficult to get a new house built within a year even if one is willing to pay the fantastic prices.

I don't blame labor for unionizing and for demanding reasonable wage increases, but this "slowdown" in the work is absolutely wrong. Not only will wage-workers themselves be obliged to pay more in rents, but they may start a buyers' strike. People are disgusted with the way bricklayers, carpenters and painters are apparently doing as little as possible and dragging out the work. The nation's standard of living can be raised only by all of us **producing more.** We cannot pull ourselves up by our bootstraps.

Shall We Sell?

Should houseowners who have a chance to double their money on their present house now sell? My answer is that if it is a house which you own and do not occupy but from which you collect rents, sell it. This will give you a good profit and you will be rendering a service by helping to break this present crazy market. On the other hand, if it is a house in which you live, unless you definitely have some other place to go, you cannot afford to sell even at these crazy high prices.

The same general advices apply to business property and farm property. Factories, stores and farms which you occupy yourself, you should continue to hold; but now is the time to "cash in" on those which you don't occupy but are collecting rents therefrom. Of course, we are in inflation and it will continue to increase, but there has never yet been an era of inflation that was not followed by an era of deflation.

Getting Tenants Out

The general rules about getting tenants out of houses which they now occupy are as follows: (1) If the property is bought by a G.I. man who immediately gets a lawyer to prepare proper notices, the tenant can be evicted in three months. (2) If the property is bought by anyone **who is to occupy it himself with his family** and who immediately employs a lawyer to prepare proper notices, the tenant can be evicted in six months. (3) If your case conforms with neither of the two above mentioned, you will have a hard time in getting the tenant out unless he is willing to move out. Thus, the purchase of homes for speculation is risky.

Not only are old houses selling for more than they are worth, but new houses are likewise inflated. This, however, is not the fault of the contractors. They are working hard to give you as good a house as they can at a fair price. They, moreover, are severely handicapped by labor conditions and material shortages. Yes, they long for the time when they will again be able to build good houses at reasonable prices. They are not only handicapped by the labor unions, but they hate to use the green lumber and small sizes which they are compelled to do at the present time.

Therefore, my final suggestion is that if you can get on without buying a house at the present time, you had better do so. On the other hand, this probably means waiting until after 1950 before you can get a decent house at a fair price.

Jos. Walker, Jr., Joins Joseph Walker & Sons

Joseph Walker, Jr., former Lieutenant Commander, USNR, is now associated with Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange. He is the fourth Joseph Walker, in direct line, to join the firm, which was established in 1855.

Predicts Future Decline in U. S. Capital Outflow

U. S. Department of Commerce foresees a steady rise in our imports when foreign nations begin paying off debts. Places future exports as high as $13 billions per year and imports up to $14 billions. Holds increased foreign trade should aid in maintaining prosperous conditions.

Capital outflow from the United States to foreign countries will probably begin to decline after reaching a peak in the next year or two and thereafter imports should rise steadily as the foreign nations begin paying off their debts, according to Department of Commerce release on June 21.

During the next five years, if generally favorable conditions prevail at home and abroad, and if United States long-term investments and loans are carried out as now contemplated, our exports might reach and be maintained at a level between $11,000,000,000 and $12,000,000,000, according to the International Economics Division of Commerce Department's Office of Business Economics.

United States loans, public and private, and other foreign investments, may total as much as $30,000,000,000 by 1951, including some $10,000,000,000 in prewar investments, the Department of Commerce estimated.

In the long run the United States international account must be balanced through our acceptance of increasingly large imports of manufactured goods and through our purchase of services, such as foreign travel, it was said. The basic foreign trade problem facing this country is that of gradually developing an import surplus without harmful repercussions on export trade and the domestic economy.

The heavier our foreign loan and investment program is, the more urgent it will be for us to adopt commercial policies conductive to a rapid growth in imports in order to offset the interest and amortization charges, it was pointed out.

The need to change over from an economy supporting an excess of exports to one supporting an excess of import will probably come between 1955 and 1960, according to the Department of commerce. After the change-over is accomplished, there should be a steady increase in both exports and imports as the United States, assuming a mature creditor position, shares in the expanding world economy.

However, while the change-over is being made, the nation's economy will have to adjust itself to the temporary and relatively moderate decline in exports, and to the simultaneous increase in imports.

The steady growth in both our imports and exports in the post-transition period should go a long way towards maintaining prosperous conditions in this country, the Department of Commerce said. Assuming there are no serious setbacks to this expanding world economy, United States imports might be expected to increase to about $14,000,000,000 and exports to about $13,000,000,000 by 1975, it was said.

In addition to buying from us $13,000,000,000 in merchandise, the various foreign debtor countries should by 1975 be in a position to send us each year about $4,000,000,000 in cash representing investment income and amortization of loans.

On the other side of the ledger, accounts could be balanced by our annual purchase of $14,000,000,000 in foreign goods, $2,000,000,000 in services, including foreign travel by Americans, and $1,000,000,000 in long-term investments, the Department of Commerce said.

Toplitt & Kaufman Formed

Toplitt & Kaufman has been formed with offices in the Savoy Plaza Hotel, New York City, to conduct an investment business as members of the New York Stock Exchange. Partners are Harry L. Toplitt, Jr., formerly a partner in the dissolved firm of Sachs & Toplitt, and Michael D. Kaufman, Jr., the firm's Exchange member. Mr. Kaufman has been active as an individual floor broker.

Reports Veterans' Unemployment Past Peak

Robert C. Goodwin, Director of USES, reports that of 11,400,000 male veterans discharged, 8,800,000 are already employed.

Unemployment among World War II veterans apparently has passed its peak and should continue to decline as the demobilization of the Armed Forces continues to slack off in coming months, Robert C. Goodwin, Director of the United States Employment Service, announced on June 16.

Robert C. Goodwin

Mr. Goodwin said that a study of recent estimates of the Bureau of the Census showed that net employment of World War II veterans had increased by about 2,600,000 in the three months preceding the Census May report on the labor forces.

"The latest report of the Bureau of the Census shows," Mr. Goodwin said, "that of 11,400,000 male veterans discharged by early May, 8,800,000 were listed as employed. Of the balance, 570,000 were classified as students, 300,000 as retired or unable to work, 930,000 as unemployed and seeking employment, and 800,000 as not in the civilian labor force, which includes those not seeking employment because of miscellaneous personal reasons such as resting, looking for homes, visiting friends, waiting to return to school, and the like."

Mr. Goodwin said that in both April and May more veterans had found employment than had been discharged during those months from the armed forces.

Iowa Public Service Bonds Publicly Offered

An underwriting group headed by The First Boston Corp. on June 26 offered to the public an issue of $13,750,000 Iowa Public Service Co. first mortgage 2¾% bonds due 1976 at 101¾% and accrued interest. The bonds were awarded to the group at competitive biding on June 24.

Proceeds from the sale together with proceeds from the issue of new preferred stock and common stock and a bank loan of $1,750,000 will be applied to the retirement of $13,753,000, first mortgage 3¾% bonds due 1969, $1,442,000 of 5% debentures, 38,542 shares of first preferred stock and 12,478 shares of second preferred. The balance of proceeds will be used for capital improvements and for additional working capital.

The new bonds are redeemable on or before May 31, 1947, at 104¾% and thereafter at prices decreasing to the principal amount. They are also redeemable for the sinking or improvement fund.

Upon completion of the company's refinancing program outstanding capitalization will consist of $15,500,000 of funded debt; 42,500 shares of 3.75% preferred stock, par $100, and 549,333 shares of common stock (assuming all of the common stock offered is sold.)

Securities Salesman's Corner

By JOHN DUTTON

Clientele Building—A Few Suggestions

There are certain basic fundamentals which will insure success in building a clientele. Any salesman who desires to increase his total of active accounts can do so today with less effort than at anytime that we can remember since the twenties. Here are the steps. time that we can remember since the twenties. Here are the steps:

Select your prospects with care. Good prospecting is a must if you want top results. Many salesmen spend too little time finding their markets. They waste too much time in unproductive fields, calling upon the wrong people. If you have an idea, see to it that it is fitted to the type of buyer that will be interested in your proposition. For instance, if you have selected a conservative dividend payer that will appeal to income-minded people, send your mailings, and direct your advertising, to the kind of prospects that will be interested in this sort of an investment. Or if you are desirous of adding some accounts that will be interested in capital gains, acquire a list of prospects that will be interested in this type of investment. For example, members of golf clubs (age group 35 to 60) or alert business executives, members of Rotary, Lions, etc., would make far better prospects for pre-approach mailings on this type of situation than a list of retired pensioners, etc. This may seem like plain common sense, but it is surprising the amount of good advertising literature that is wasted, and valuable salesmen's time in the bargain, just because the right literature has not been sent to he right people.

If you have some satisfied accounts, don't be bashful in asking for cooperation. Speak up. All you need is one or two cooperative customers and you can add many new account through their introduction. All won't help you, but those that do make some introductions for you will be more valuable to you in opening new accounts than thousands of pre-approach mailings, and many so-called cold calls on new prospects. Incidentally there is a right way to do this and **it is distinctly not a matter of asking for help.** Whatever you do, don't ask your customers for introductions. Put it on another basis. You have helped them have you not? They have made money because they bought the securities that you brought to their attention? Well, you have found the time to take on a few more accounts and you would like to offer the same opportunities to one or two of their friends. YOU ARE THE ONE WHO IS OFFERING THEM AN OPPORTUNITY TO INTRODUCE YOUR SERVICES TO THEM.

Qualify your prospects. If you have to take more than one interview to do this you are not asking enough questions in your first interview. Don't follow up people who are looking for someone to talk with just because they like to make conversation. There are a lot of lonely people that own a few securities that will give you some swell interviews (if you let them do all the talking) and someday you may sell them a few shares of stock or a bond or two, but the business won't be worth the time you've wasted. Remember, you are out to do business. Your time is valuable. Cull out curiosity seekers as much as possible by telephone calling. Work by appointment. Put some value on your own time, be confident, believe in yourself, your firm, and put a price on your knowledge and experience. The world will value you at your own valuation. This doesn't mean being arrogant or snobbish—but it does require that you KNOW YOUR BUSINESS AND THAT IT SHOWS IN YOUR ACTIONS AND YOUR SPEECH. When a good salesman believes in a situation he can sell it. Lukewarm confidence never fooled anybody.

Keep healthy, don't worry, and work. Be systematic in everything that you do. Follow up your leads. Cull out the dodos. Send interesting clippings to your customers. Remember to take a few people out to lunch each week. Keep your head cool, study your customer's desires, his hopes and his vanities. Let him do all the fancy talking. Save your conversation for the times when you want to sell him. Then say the right thing at the right time. It is easy to do this, providing you think before you speak. Most people talk first and think later—the smart man is the fellow who thinks first. Success is the result of years of learning better ways to do things, of control over your own emotions, of constantly striving to improve your score. Any man who can't get fun out of this kind of a job, and meanwhile make some real good money for himself while he is doing it either needs a rest, or some new glasses. You can make your business a real success—it is all out there waiting for you to go to it!

Structure and Operation of NAC

(Continued from page 3471)

committee, special committees have been appointed by NAC. Examples are the committee on the International Fund and Bank, the public relations committee, the committee on prospective total foreign dollar needs, etc.

Since its first meeting in August 1945 the NAC has held 30 meetings of its own*. In addition it has participated in the negotiations with the British in a total of some 20 or more other meetings. (The financial and commercial negotiations with the British were headed by the State Department.)

In its early history, the meetings of NAC were not held at any regular interval, but now the policy is to meet at least once a week. Meetings are called by the chairman and held in the Treasury. The early meetings were held in Secretary Vinson's own office, but nowadays the NAC members and their aides do their business in a conference room on the fourth floor of the Treasury. There, seated about a long table, instead of being grouped around the Secretary's desk as formerly, they can operate in greater comfort. (It might not be inappropriate to move into the conference room from the Secretary's dining room the handsome oval table bearing around its perimeter sixteen metal plates. These engraved memorials commemorate the conclusion around that table of the intergovernmental debt funding agreements following World War I. Each little plate gives the names of the negotiators and the sum due Uncle Sam.)

Although NAC and the Advisory Board of the Export-Import Bank are identical in membership, with only different chairmen, the gavel has never left the NAC chairman's hands. In other words, the Bank's Advisory Board was a stillborn creature of Congress.

Chief NAC Personalities

The chairman of the National Advisory Council, is the Secretary of the Treasury. During the whole of the period under review in this article, Fred M. Vinson was NAC's chairman. Apart from the advantages which the chairman of a body possesses, Mr. Vinson was by nature sure to make his voice fully heard. At the Savannah Fund and Bank meeting, it will be recalled, Mr. Vinson, who there too was chairman, was criticized by some foreign delegates and some Americans for "bulldozing" the meetings. In the NAC, however, it is reported that there was no similar cause for complaint. None the less, it seems a fair deduction that a man of Judge Vinson's close relations with the White House would carry a greater influence in case of schism within NAC than some of the other members.

Theoretically, of course, since Congress was not specific when it created NAC, each of the five members has a voice in its decisions equal to that of each other member. Actually, the main influence has been wielded by Vinson and Assistant Secretary of State Will Clayton, in perhaps equal measure, according to one official who is in a good position to judge. According to this informant, if you rate the influence in NAC of Vinson and Clayton at 100 each, that of Marriner Eccles could be set down at 75 and of Wallace and William McChesney Martin, Jr., at 25 each. Martin, it may be noted, did not participate in the work of NAC until about the beginning of January, 1946.

Vinson, Clayton, Eccles and Martin have worked very hard at NAC since they have been connected with it. During Vinson's tenure of office no meeting of NAC was held at which he did not personally preside, accompanied usually by from two to four other Treasury staff officials, including NAC's secretary, V. Frank Coe.* Clayton has missed very few meetings, Eccles only one or two, and Martin probably none. Besides, NAC entails for its members a good deal of "home work". NAC must, along with the work of the top-level committees which have handled the British and French loan negotiations—generally the same personnel—be the major claimant of the time of its diligent members.

Secretary of Commerce Wallace has personally attended only about a third of NAC's meetings, being represented instead by Arthur Paul or H. W. Parisius. In earlier meetings, Mr. Amos E. Taylor used to attend with or for Wallace, but this has not been true for some months. Taylor, for many years author of the Commerce Department's balance of international payments studies, is a first-class economist with an excellent background in international affairs. The reason Mr. Wallace has not been ofte:er at NAC meetings may be due to the fact not that he cares for international economic and financial matters less, but for domestic matters more. During NAC's first nine months Secretary Wallace made approximately 28 public addresses other than appearances at hearings. The great majority of these addresses have been out of town, entailing travel as far as the West Coast. This evidently explains why, when Mr. Wallace does attend NAC meetings, he takes a relatively inactive part in them. While the work of NAC has an important bearing on commerce and production, on exports and imports, for the foregoing reasons the Commerce Department's role in NAC has been weak.

As those acquainted with Mr. Eccles would expect, the chairman of the Federal Reserve Board has played an active role in the NAC meetings. Incidentally, he is a member of NAC as chairman of the Reserve Board—the law prescribes—but does not commit this Board. (Mr. Martin at NAC is in the same position, relative to the Board of the Export-Import Bank.) Eccles repeatedly asks questions which expose the root of the matter under discussion. Among his associates he is known for his remarkable ability to keep data in his head, "a hot man on figures." In NAC Eccles' rival in this respect was Judge Vinson, whose "homework" preceding NAC meetings often astounded his colleagues. Eccles is regularly accompanied to NAC meetings by Mr. J. Burke Knapp of his staff, and occasionally by Walter R. Gardner. Knapp is Eccles' official alternate on NAC.[1]

The Export-Import Bank was represented in early NAC meetings by Leo Crowley and Wayne Chatfield-Taylor. Both have now left the Bank, which is regularly represented by Martin, frequently accompanied by Herbert Gaston, a member of the Export-Import board, August Maffry and sometimes others. Martin, an earnest if mild-mannered participant in NAC's work, shows that he gives much study to its agenda between meetings and has repeatedly raised questions of procedure which are still incompletely solved from his viewpoint. Martin, for example, voted against the French agreement both in NAC and in the Export-Import board meeting. He objected that the bank needed more time to study the proposals than NAC was granting it. He objected that Export-Import Bank did not have in sight enough resources to meet the programmed French credit needs, although he reportedly did not question the program. There is reason to believe that Martin sided with Wallace and Eccles in their opposition to the political considerations of making the announcement of the conclusion of the French agreement prior to the then imminent June 2 French elections, on the grounds that this would be interpreted as an effort by Washington to influence those elections.

Everyone with whom the writer has discussed the matter agrees that Will Clayton has done a yeoman's job on NAC. A greatly overworked man, he is very active in the discussions and, it seems, strongly conscious of the political "values" in well-directed and well-timed foreign lending. In addition to Clayton, the State Department was very regularly represented at NAC meetings by E. G. Collado, until his assumption of the post of American executive director of the World Bank on May 7, and by a number of others, including even General Marshall in his capacity of Ambassador to China and seeker of large-scale financial aid for that country. Marshall brought his request directly to the proper authority.

Among others who have attended NAC meetings for the State Department are representatives of the Foreign Liquidation Commissioner, headed by Mr. Thomas B. McCabe. A few representatives of the War Department have attended NAC meetings on occasion, including officers concerned with disposal of surplus property, with foreign-currency holdings of Army finance officers, and with public relations.

While, as stated, Judge Vinson was the key man in NAC until he moved out of the Treasury, in matters of foreign policy he made it clear he would be guided by the State Department's judgment as a general rule. To State Department views, Eccles similarly has deferred on occasion, when otherwise he would have voted differently.

Under Vinson's chairmanship, the writer has been told. "staff members like White and Collado have been kept in place." Previous to Vinson's becoming Secretary of the Treasury some of the subordinate officers of that department, such as White, played a more determinative role than latterly. How the replacement of Vinson by Snyder and the long-contemplated absorption of Treasury personnel by Fund and Bank will affect the operation of NAC remains to be seen.[2] It is assumed that Secretary Snyder can count on full White House backing, but people are wondering whether he carries as much weight on Capitol Hill as Vinson, whether he will have as much interest as Vinson in international financial affairs, whether he will call as frequent meetings of NAC, and whether he will follow his predecessor's policies.

NAC and the Bretton Woods Program

Though the NAC was created only after the Bretton Woods agreements had been negotiated, the agencies now represented on NAC all played a greater or lesser part in the groundwork for the Fund and Bank. Primarily, of course, the evolution of Bretton Woods was, from the American side, a Treasury project and in the early stages the Treasury, led

*Of 28 NAC meetings held through May 17, ten were held jointly with the top Administration committee on the French negotiations.

*Since this article was prepared Mr. Coe has resigned from the Treasury and become Secretary of the World Fund.

1 Cf. brief biographical note on Mr. Knapp in June 20 "Chronicle," p. 3344.

2 Cf. in this issue of the "Chronicle" the article on p. 3478 dealing with Fund and Bank Developments.

in this matter by Harry D. White, antagonized other agencies of the government by not sufficiently seeking their counsel. By the time of the Bretton Woods conference itself, however, all five of the [illegible] NAC agencies were participants.

It should be noted that NAC at the very beginning of its work set up a special committee to study and report to it on Bretton Woods problems, and that included in that staff committee was the SEC, which of course is not a member of NAC.

During the preparation for the Savannah meeting of the governors of the Fund and Bank, NAC was informed — through reports from the Treasury Department—of the preparatory steps being taken earlier this year. Draft by-laws of the Fund and Bank, after being discussed by the Treasury with financial representatives of a dozen or more other countries and after being circulated among other governments, were submitted to the NAC and approved by it prior to the Savannah meeting.

Now that the Fund and Bank have actually got down to work in Washington, the American executive directors, White and Collado, continue to participate in NAC meetings as they used to do when they were in the Treasury and State Departments, respectively. Once the Fund and Bank reach the point of making operating decisions as to exchange rates, loans, etc., the NAC will be kept busy coordinating the work of the American executive directors with other financial policies of the NAC.

An interesting detail is that White and Collado, being on the payroll of the Fund and Bank, respectively, are the only present participants in NAC's secret meetings who are not on the United States payroll.

NAC's work on International Fund and Bank questions will increase rapidly, once those institutions become active. There are scores of Fund and Bank decisions on which the American executive directors will be guided by NAC. The terms of the World Bank agreement are considerably broader than those of the Fund; moreover, since the money for World Bank loans will come largely from the American people, the NAC will be busier than ever, coordinating this country's investment policies and programs.

Still another matter to come before NAC is related to the arrangements to be worked out between the Fund and Bank on the one hand and the Economic and Social Council on the other. The Fund and Bank are anxious to preserve their autonomy, while the Economic and Social Council possesses broad power to probe into questions in the field of the Fund and Bank.

In discussions of matters within the scope of Bretton Woods institutions, Mr. Eccles has stated his strong opposition to commercial banks underwriting the securities of the World Bank. But Mr. Collado who has since become American executive director of the World Bank, has informed Eccles that commercial bankers themselves are divided on this question, while Mr. Harry D. White, now an executive director of the World Fund, told NAC that commercial banks of this country are able to buy as much as $600,000,000 of World Bank securities.

How NAC Processes Loan Proposals

At the end of its first six months, NAC gave a detailed general description of the Government's procedure in considering foreign loans and the general financial policy considerations. These are both quoted below in full. Despite the apparent logic of the procedure described, as we disclose elsewhere, the relations between NAC and the Export-Import Bank have not been completely harmonious and will probably have to be straightened out by the Congress either in connection with the imminent application for a $1¼ billion expansion in the Bank's credit authority or in connection with other Export-Import legislation to be sought this year or next. It would probably save future friction in NAC if the Congress settled the matter this summer before it adjourns.†

Note that on policy considerations the NAC report here quoted has nothing to say about political or military considerations:

Governmental Procedure for the Consideration of Foreign Loans

The Council has given considerable attention to improving the procedure for the consideration of foreign loans by this Government. There are several agencies of the Government through which foreign loans and credits can be made under existing authority. In the recent period there have been a number of requests for foreign loans which have required special congressional action. In the near future the International Bank will also be making dollar loans to foreign countries. In addition to the agencies which make foreign loans or extend credits, there are certain agencies of the Government which have in the past negotiated or participated in the negotiation for foreign loans or made commitments for foreign loans. Finally there are other agencies which, although not involved in making or negotiating foreign loans, are concerned with the foreign loan policy and the purposes for which the money is spent.

Before the establishment of the Council this area of work was not coordinated and there was a certain amount of confusion and overlapping. The Council has given close attention to these problems and has installed a procedure to insure the more orderly consideration of requests and proposals for foreign loans.

Under this procedure all requests and proposals for loans come to the Council before any commitment has been made by any agency of this Government. This gives the Council an opportunity to consider the loan from the standpoint of the Government's loan policy and to draw in any parts of the Government which may be concerned with special policy aspects of the proposal. This central consideration with a number of agencies participating makes for a more thorough study of the conditions precedent to a loan. It also enables the Council to decide through what instrumentality the loan or credit is to be made and what agency or agencies should participate in the negotiations.

The procedure which is now in force is described in the following action of the Council:

1. Any agency of the United States Government which receives a request for a foreign loan or which proposes to recommend that a foreign loan be made, should, when such request is received or when the proposal is formulated, so inform the National Advisory Council on International Monetary and Financial Problems through the Secretary of the Council.

2. The Council will consider the request or proposal from the standpoints of policy and coordination. The Council will communicate its action, if any, to the agency (or agencies) which is to be responsible for conducting the loan negotiations.

3. Such agency (or agencies) will conduct its negotiations for any loan in accordance with the policies of the Council, consulting the Council as to desired changes in policy.

4. When the designated agency (or agencies) has completed negotiations for a loan or otherwise taken final action, it should notify the Council and furnish copies of the contract and other documents involved.

An exception to the above policy agreed to by NAC are short-term Federal Reserve Bank loans to foreign central banks or governments secured by gold.

"General Financial Policy Considerations

"In its consideration of foreign loans, when they are first proposed or requested, the Council considers such questions as—

"The need for a loan, as indicated by the balance of payments and foreign exchange position of the borrower;

"Ability to repay, as indicated by the economic and financial prospects of the country involved;

"Alternative sources for the loan, such as the International Bank, private investors, other foreign countries; and the

"Amount of the loan, involving the allocation of the limited funds available.

"For these purposes, analysis is made of the country's foreign exchange position, investment position, balance of payments, gold production, debt status volume of foreign trade and anticipated economic, financial and monetary developments."

If financial considerations were the only ones, this policy statement would leave little to be desired. It has the ring of completeness which one finds in the explanations which were offered by the Treasury in connection with the BW Fund and how it would set about determining the proper parity for an exchange rate. Political considerations can override all others in the case of an NAC decision and there is little doubt that in cases like that of China, to cite only one, they are doing so.

NAC considers "ability to repay," it is clear, without much in any reference to past repayment records. Just as the NAC has found it impossible, except in the case of the "unique" loan to Britain, to differentiate among countries as to the interest rate on loans, so it is destined under the liberal Administration policy of "making dollars available abroad to recognize to at least some extent the requests of every loan applicant possessing the attribute of national sovereignty. The impression is abroad that the Treasury of the United States is the Treasury of the World.

Another financial consideration about which there seems to be considerable flexibility is the gold and dollar holdings of prospective borrowers. This matter has come up in NAC in connection with Latin America, the United Kingdom, France, China, etc. Latin America greatly increased its gold and dollar holdings as a result of the American policy of exporting on a lend-lease basis and importing on a cash basis. Yet when Latin America's large holdings were mentioned in NAC in connection with the difficulty being faced in stretching the available credit resources to fit the needs of borrowers all over the world Mr. Emilio G. Collado, speaking for the State Department, urged continued lending to Latin America none the less.

When, in the case of the French loan, the large gold and dollar holdings of that country were cited, E. M. Bernstein of the Treasury argued in NAC for the French position that France should not be expected to use those assets[3] in place of credits from America.

Mr. Jesse Jones, who when head of the Reconstruction Finance Corporation extended a wartime credit to Britain secured by British-owned American securities, recently criticized the making of the $4.4 billion loan to the United Kingdom without similar procedure. Whether NAC has given consideration to that suggestion the writer cannot say. If it did, the suggestion was rejected The Netherlands Government, it may be noted, despite its good credit record, has borrowed in New York on gold collateral, but recently the Export-Import Bank, with NAC approval of course, extended a large loan to the Netherlands in cooperation with a number of commercial banks. This loan requires no collateral, thereby acceding to Dutch wishes. It was believed that, if the Export-Import Bank led the way, private American financial interests would follow suite and not require collateral. In short, NAC has rejected the business principle of "collateral" for the political principle of "no collateral."

Export-Import Bank and NAC

Mr. Martin has repeatedy exhibited dissastisfaction with Export-Import's role in the foreign lending picture under NAC. According to information obtained outside the NAC, Export-Import is required by law to make loans with a reasonable chance of repayment. Directors of the Bank are known to be sensitive on the subject. While on the one hand Export-Import cannot be oblivious to political considerations when making loans, it is bound to place a different emphasis on this factor than is placed by the State Department, for example. Therefore, in NAC meetings Mr. Martin, as in the case of the French loan, has objected to the precipitancy in carrying out through the Bank the wishes of NAC or of a majority of its members. Mr. Martin apparently has been seeking to make sure that Export-Import does not become a mere rubber stamp wielded by NAC. In objecting to the making of political loans under State Department pressure he has reminded NAC of at least one loan which did not "pan out" as hoped—the Polish loan.

What Mr. Martin seems to fear is that some time the board of Export-Import may not agree with NAC that a particular loan should be made. On this he has been assured by Vinson and other members that in such case the matter can always be brought back to NAC for reconsideration, and that if the reasons are good enough, the NAC can reverse itself. One change in NAC procedure has resulted to date from Mr. Martin's

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†Cf. Export-Import Bank Expansion to Be Requested, "Chronicle," June 13, 1946, p. 3260.

3 Mr. Bernstein has since become acting research director of the World Fund.

Structure and Operation of NAC

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objections: The NAC when agreeing that a certain credit should be extended no longer votes to that effect, but merely votes its "approval of consideration" by the Export-Import Bank of a loan to such and such a country of so much for such a period and at such an interest rate. This is the pattern now being followed, with face-saving for the Export-Import. But both Martin and Eccles have suggested that it may be necessary to ask Congress to clarify its intent.

Vinson's view of course all along has been that the powers of NAC are much broader than those of Export-Import's Advisory Board. In meetings Vinson has been supported on this point by Harry White, who argues that preconsideration of an Export-Import loan by NAC and its staff committee should help rather than hinder Export-Import's work, and that in any case it is time enough to solve the question of jurisdiction when and if a real disagreement between NAC and the board of directors (as distinct from the Chairman) of Export-Import arises.

Political Loans

There has been a good deal of unfrank discussion out of Washington as to government loans made abroad for political purposes. In the cases of the United Kingdom and French loans, which passed the scrutiny of NAC, political considerations were given great weight by the Administration. In the cases of the Chinese and Russian loans, no conclusions on which have yet been announced by the Government, political considerations are practically the only ones. Surely no investor concerned only with a good investment would risk his capital in a long-term loan to the Chinese Government under existing circumstances. Yet even within the NAC there has been apparently some self-deception on this score. The lending program, piece by piece, has been sold to Congress and the public on the grounds, *inter alia*, that the loans being sought from this country, or at least those which the Government makes abroad, are sound economic propositions. So far as can be learned, the NAC has given little if any attention or thought to the likelihood of non-recovery of the money lent. The responsibility for this must be shared by the Congress.

For example, among the present and prospective borrowers from the United States Government are many countries with default records. The Congress itself has agreed to ignore defaults on old loans made by the U. S. Treasury abroad, waiving Johnson-Act and similar legislative provisions. The NAC in its interest-rate policy does not differentiate between one borrower and another. This alone is enough to identify the loans the Government has been authorizing as political.

The recognition of political considerations in our wartime lending is to be taken for granted. But the Export-Import Bank has always been engaged in lending operations containing a considerable political element. Were its loans of sufficient merit to stand on their own legs, there might be no reason to have an Export-Import Bank; private lenders would take the economic risks. During the hearings on the Dewey bill in 1944 Mr. Harry White, then of the Treasury, testified that an expanded Export-Import Bank might be needed to make loans in areas of special, i. e. political, interest to this country. Congress in creating and expanding the Export-Import Bank's lending authority has been aware of the political purposes such an institution serves when used as an instrument of foreign policy. The Secretary of State is the only Cabinet member who is *ex officio* a member of Export-Import's board of directors.

The State Department is fully aware of this and has been as active as any other Government department in supporting the foreign-loan program at every opportunity: Export-Import, BW, the United Kingdom loan, the French loan, and many others. State supports the large credits to China which General Marshall advocated when he was last in Washington. And State has long been ready to start negotiations with the USSR for a $1 billion loan.

During NAC's discussion of the then-pending French loan it was the State Department which confessed that the amount and timing of the loan announcement had as one political purpose the influencing of the French elections in a direction more favorable to our own philosophy of government. Both Secretary Wallace and Mr. Eccles opposed justification of the loan on other than economic grounds. Mr. Wallace is presumed to have had in mind possible repercussions in the Kremlin, whereas Mr. Eccles feared an undesired reaction within France itself, citing other recent actions of the United States in Latin America and their consequences. Doubtless Eccles had in mind the paper on Nazi activities in Argentina which this Government released prior to the recent Argentine election.

Since Mr. Martin voted against the French loan in NAC and since NAC operates on the basis of a majority decision, it is certain that either Mr. Eccles or Mr. Wallace voted for the French loan in the end. According to an unconfirmed but trustworthy source, both did. Thereby they recognized that intergovernmental loans without an appreciable political element would be a self-contradiction.

Another good example of a political loan is presented by Poland. This is so obvious as not to require elaboration. The State Department made it clear to NAC at the time the Export-Import loan to Poland was under consideration in the Council. This Export-Import loan of $40,000,000, announced April 24, was accompanied by $50,000,000 credit to that country from the Foreign Liquidation Commissioner, as authorized also by NAC. The credits were extended to Poland on condition that its Government supply the State Department with assurance that it would carry out certain conditions stipulated by the U.S.A. One of the conditions was a free-elections pledge. Another was the publication in Poland of the American conditions. Since the Polish Government did not give the State Department satisfactory assurances, within barely a fortnight of the Export-Import's announcement of the loan the credits were held up.‡ Following an announcement to this effect by the State Department, the AP reported from Poland that the Government controlled press was attacking the withholding of the credits as "political pressure" on the Polish Government.[4]

The experience with the Polish loan makes it timely to ask: How much political good will, and for how long, do we get per million or billion lent for 30 to 50 years or longer? The question applies not only to Poland, but to Russia, France, China, the UK, or any other country of the Old World or the New.

In NAC's discussion of the Polish loan the question was raised whether Poland's needs for railway and other equipment could not all be met out of surplus American property abroad, since the purchase of such equipment here at present would add to the backlog of orders now pending. Here again "political" considerations prevailed, upon State's insistence. Even if surplus property abroad was ample for Poland's needs, some new goods would still have to be sent from the United States.

According to one official consulted by the writer, State naturally stresses political considerations in NAC; moreover, the Department feels that, since Government credit operations abroad are an instrument of foreign policy, in the last analysis all the other agencies, members of the NAC, should defer to it. To date, so far as the writer can learn, there is nothing in the policy decisions of NAC to indicate that the State Department has failed to get its way. If, apart from Mr. Martin's dissent in the case of the French loan, there have been other NAC decisions not taken unanimously, they have not come to this writer's attention. Such instances have been few, in any case. In other words, differences among the members are composed before NAC takes a decision.

As has been related above, there often have been rather wide differences of opinion between Martin and other NAC members over such matters as NAC-Export-Import relations and political considerations in the making of loans. Where the most serious differences have arisen, however, has been in cases where proposed loans would exhaust the relatively limited actual and prospective resources of Export-Import. However soft the phrasing of NAC decisions, they have often placed Export-Import in the position of being directed to make a given loan.

In this connection, an especially ticklish question has been posed to NAC by the recent finding, in FEA files transferred to State, of an application from the USSR for a $1 billion loan. This application was received subsequent to Stalin's disclosure to the House Postwar (Colmer) subcommittee and to Senator Pepper in Moscow last year of a Russian desire to borrow $6 billions here. After the finding of the mislaid application, the State Department advised Russia of its interest in starting negotiations for the $1 billion loan along with a number of other subjects of interest to this Government, such as BW, commercial policy, Lend-Lease settlement, etc. Moscow apparently has not yet consented to the broader negotiations, thus leaving in the air the commencement of negotiations for the $1 billion Export-Import credit. This has posed the problem of whether NAC should earmark $1 billion of Export-Import's present $3.5 of total lending power, now largely pledged elsewhere, for Russia; or whether the $1 billion should be taken from the $1¼ billion increase in Export-Import's resources which Congress is now being asked to authorize. The first course definitely impairs Export-Import's present activities in other areas, whereas the latter course would make the $1¼ billion increase harder to sell to Congress. NAC therefore has had the decision to make of balancing the advantages of holding $1 billion of political bait for Moscow's later use vs. withholding that amount of political goodwill from other queued-up loan applicants.

Still to be ascertained is whether, in asking for a $1 billion Export-Import loan the Russians are willing to pay the same interest and amortization as other Export-Import borrowers, or whether they will ask the same "unique" terms contained in the British loan agreement. In the latter event, the loan could not come from Export-Import, but would have to be authorized by the Congress.

Other cases where political factors have been of major importance have come before NAC. For example, the State Department earlier having ruled that in a certain country's case it would be contrary to American foreign policy to extend a loan, the Department thought this was not a matter that should now come before NAC at all. Vinson and others, however, felt that all such problems should be worked out through NAC, even though there were considerations of foreign policy.

In another important case where political considerations were of first importance Vinson regarded the chaotic condition of the petitioning borrower's currency as precluding the large loan program under consideration, lest the American people's money be lost. Still, the political pressure for loans to that country is so great that it is only a question of time until additional sums will be made available to it.

There seems to be a conflict between positions taken by NAC's Chairman Vinson at different times. On occasion he has expressed himself very definitely as being inclined to favor the State Department's opinion, in case of a division within NAC as to the wisdom of any given loan. And on other occasions he has stated that NAC should never approve a loan which it doubts can be repaid. On one such occasion, when an Export-Import spokesman observed that that bank may not make loans for political ends exclusively, Mr. Harry White observed that Export-Import actually has made political loans where the chance of recovery is virtually nil. How much Export-Import credit is in this category Mr. White is not reported to have stated.

(Ed. Note—Mr. Bratter's third article dealing with the National Advisory Council will appear in the "Chronicle" of July 4.)

‡Cf. N. Y. "Times" May 10 and 11, 1946.

4 N. Y. "Post," May 22, 1946. Soon thereafter a Polish spokesman in this country announced that the USSR was making an even bigger loan to Poland, to take the place of that withheld by the United States.

Let's Save America!

(Continued from page 3474)

of human progress have always been made of stern stuff.

Christ, the world's greatest ambassador of good-will to men, died on the cross at the early age of 33, but after nearly 2,000 years His message provides the greatest hope for mankind. Socrates, who dared to challenge crusty tradition in his search for wisdom was forced to drink poisoned hemlock. Plato tried to remodel the earth and establish justice, but he was sold into slavery. Moses, who gave mankind a sublime code of ethics and who freed the Jews from Egyptian bondage, died before he saw the Promised Land. Confucius who taught the Golden Rule to the Chinese five hundred years before Christ, passed away in obscure proverty, a disillusioned man. Buddha, whose teachings of tolerance and patience have influenced directly or indirectly one half of the civilized world, although born a prince, departed as a beggar. Columbus sailed the unknown sea and discovered America, but because he did not bring back gold to King Ferdinand, was put in prison and died in chains. These immortals of history were not honored in their day.

These trail-blazers of humanity followed their destiny without reckoning the cost. The wise man plans his life for that which gives promise for good in the long years that lie ahead. Now with toil and tears the world is stumbling toward the light, and you are being called upon to help carry the torch. Let us be realists. With clear heads and warm hearts probe deeply in your search for fundamental values upon which you can build your faith. You will need flexible minds and a fine sense of discrimination and proportion. Above all you need patience.

The Citizen's Indifference

Today's the disturbing fact, as I see it, is the indifference of the typical American citizen to the danger threatening our own form of government and our own way of life.

And because I believe that the receptive minds of educated American youths are a fertile field in which to sow seeds of civic hope, I should like to leave a few thoughts with you concerning present problems.

The preservation of the American way of life is not necessarily assured by the winning of war. We must defend it against the cynics who would destroy our ideals and paralyze our aspirations; against the utopians who advocate plans that would wreck our economic system; against those who promote racial discrimination, industrial strife, corruption in public office; and against those who would have us shun our responsibilities in a world order.

To a greater extent than ever before our daily lives are going to be interfered with, controlled and shaped by our government. More and more organized labor is going to be our influence. This means that organized labor with its conceptions of the rights of private capital will have more and more to say as to the manner in which each individual lives his life.

What can we do either to prepare for the fundamental changes which seem to impend or to adjust our lives to the changes?

We can take an actual part in the making of the laws which will interpret these changes. We can actually become members of the legislative bodies which will write these changes into our laws and of the governmental departments which administer those laws. If we do not see fit to concern ourselves with the actual origin of the laws which will control our lives or if we refuse to become a part of the Government which administers those laws, then we will get what we deserve—a Government controlled by selfish, sectional pressure groups enforcing laws creating special privileges for special groups. Unfortunately, most men do not even bother giving their consent to being governed; they accept things as they are.

Scores Laxity

This laxity we cannot afford. Evil forces there will always be in the world—if not Hitler and his gang, then their prototype. Our task is not to eliminate evil but to make the forces for good so strong that evil will be impotent. For dictators come on the stage only when conditions are ripe for them. America found herself at least temporarily in the great crisis of the war; it will find itself in the crisis of post-war conditions.

Things are turned upside down but things are not without hope. Practically all volcanic upheavals of the past were accompanied by great developments—the birth of Christianity, the Renaissance, the Reformation, the Crusades, the Golden Age of Literature. So likewise now young men and women with open minds have a fine opportunity, but it calls for adaptation to change. You will have to be able to meet the acid test and deliver the goods. You will not be able to ride on the coat-tails of your ancestors.

People Are Without Definite Policy

People are in a mental fog and are groping their way toward a

goal with aspirations and hopes, but with no definite policy. Without definite policy and an intelligent understanding of economic laws the people may become the tools of the demagogue who could lead them into dictatorship. The responsibilities upon men of intellect are tremendous for they have the opportunity to direct this powerful public into constructive channels. Otherwise, we may find that in the course of time the misdirected voters may unwittingly, but ruthlessly, pull the temple down over our heads.

This calls for a more sympathetic understanding of the aspirations of the people than has been evident during the past few decades. Following an age of specialization, we have failed to grasp the significane of social forces at work and their cumulative effects, with the consequence that we are now called upon to make within a few years the adjustments that would normally take a generation. On the other hand, many of our colleges and universities, and especially social reformers, have promoted theories and programs that are not only utterly unworkable but are beyond the economic capacity of the country.

Our Economy Impaired by Misguided Social Reformers

Accordingly, at a time when the nation's economy should be receiving the fullest volume of production, employing the largest army of wage earners in history at the highest rates of pay, we find widespread unemployment, wholesale loss of wages through strikes, loss of earning through stoppages of production and shutdown of plants. In ordinary times this would foreshadow a deep enduring depression. Fortunately, these are not ordinary times. There is urgent potential demand for goods which, if unimpeded can keep our factories and mills at capacity operation with full employment for a long period of time. That hope alone forestalls a loss of morale on the part of our people which would in itself create depression.

A return of common sense to our law makers and our law administrators to prevent labor pressure, business excesses or paralyzing taxes from eliminating incentive to invest in America's future can preserve our means of livelihood.

With all of its defects, the American system is the best yet devised. It has provided us with individual freedom and a higher standard of living than is to be found anywhere else in the world. Private enterprise and democracy go hand in hand. They will rise and fall together. If through unwise legislation or the imposition of intolerable burdens we destroy private enterprise, then all forms of activity will be regimented under Governmental control. There is no alternative.

So the American people, if they desire to preserve their heritage of liberty and freedom, to shape their own lives, must unite on the fundamental issue of saving private enterprise and democracy, and they must do it for themselves.

The World Picture

So much for political conditions at home. What about the world picture, because today America is concerned with world affairs.

The lamp of liberty is burning low in the world today. The clock of social progress is being turned back many centuries. The eyes of the world are turned to the American people for leadership and for help. Are we prepared for the responsibility? Are we facing the future with sufficient realism to recognize what is demanded of us?

Are we ready to accept the leadership thrust upon us? If so, we really need to understand the Russian philosophy. The Russians, as I recently emphasized in a study of foreign policy, have no wish to cooperate with those whose ideals are opposed to theirs. There is no sentiment for what we term a "live and let live" attitude. We do not yet seem to have come to full realization of the basic fact that it is idle to talk about one world as long as there prevail the two distinctive and fundamentally different ideals—communism and democracy. They represent two opposing ways of life. Belief in one makes of the other an uncompromising enemy. There are groups in this country who call themselves idealists, liberals, champions of the common man, who admire Russia and what she has done. These men insist on equal liberties and rights for all—in some cases to the point of license. For the life of me I cannot understand why these advocates of Marxism do not realize that their own activities would be absolutely impossible under the Russian system.

Russian System Wholly Incompatible With Our Ideals

There could be no strikes against employers; a ruthless government is the employer. There could be no free discussion of government policies; those who disagree with the government would become victims of a purge. Under the Russian system, every ideal that these groups profess to believe in would be ruthlessly crushed. Admiration for Russia and belief in the individual worth of man are totally incompatible points of view. Never forget this truth when appraising world philosophies.

After all, society rests on an implied contract that all groups will sacrifice selfish interests and cooperate for the well-being of all. No group through concerted action should have the power to hurt the remainder of a nation or of society. When any group can with impunity threaten the health, safety, and welfare of society, we are back on the road to barbarism and savagery.

In this country we see evidence of a movement toward compulsory methods. Government is now stepping in to control the economic functions of production, distribution and consumption, the relations of employers and employees. The restlessness and uncertainty that contribute to changes of this kind have grown out of the breakdown in the traditions and ideals that formerly regulated our lives. Divorces and broken homes are on the increase. To a great many young people the teachings of religion have come to seem a far cry from the conditions they have to face every day.

The Need for Realism

Our schools and even our colleges and universities have failed to prepare young people for a realistic approach to the world. You have not been taught that you have an obligation to live up to the best in American history by taking part in the public life of your country. Men without training in economics, without education in political science, without perspective or balance direct the future of this country because they are the only kind who take the trouble to participate in public affairs.

Don't merely criticize these officials. Oppose them and all they stand for by voice and by vote. Write to the President and to Congressmen expressing your opinion of the various pending laws calculated to govern labor's relation to business and labor's responsibility to the public and the obligations to settle wage and work disputes in the public interest. The right to petition Congress with your views on public matters is a constitutional right. Never was its exercise more urgently needed or more welcomed by Congress itself.

Vote upon every question of public interest submitted to you when you become of voting age. Enter public life yourselves, either in elective office or in administrative office. You cannot change the trend of more and more Government control of individual activities, nor the growing participation of labor in our Government, but if educated and trained young men give of their time, pleasures, and satisfaction by actually becoming a part of the Government, you will raise the standard of politics, of Government, of law,—of living itself.

Youth can effect this change for youth is idealistic. Therefore I build my hope upon it. It is said that "if a person is not utopian by the time he is 21, something is the matter with his heart; but if he is still one by the time he is 30, something is the matter with his head." But idealism should rest on a practical foundation and be set against the background of everyday living. Otherwise, wishful thinking merely leads to cynicism and disillusionment.

It may seem to you that I have been painting a bleak picture. However, crises sometimes create opportunities. The Chinese, have a phrase which is used as our word "crisis" is used. But broken down into its two parts this phrase means danger and opportunity. A crisis is a serious situation, but the very fact that it exists is an opportunity to someone to set it right. Times are out of joint, but that in itself constitutes a challenge to you Civilization hangs in the balance, but if you apply that same realism, vigor, and high courage to the waging of peace that you and your older brothers brought to the waging of war, you can and will tip the scales on the side of a better humanity.

Politicians' Overemphasis on Popularity

May I, in closing, leave with you this diagnosis of current conditions—it may help you to attack the enemies of Public Welfare. The most significant and pathetic feature of every public policy so far proposed is said to be the search at all costs for popularity—significant, because it reflects the deep uneasiness of progressive politicians everywhere; pathetic, because popularity in the long run will come only to those politicians who have the courage to do the immediately unpopular things. To those who are old enough to have observed over more than thirty years the steady deterioration of society—not only in its material standards but above all in its political security, its social relations, and its spiritual vitality—it is more than difficult to understand this continued preference of the political mind for the easy and popular course which so invariably and demonstrably leads in a very short time to disaster. It is even more strange that the inevitable reaction of the peoples themselves against the manufacturers of deceptive slogans and the advocates of panaceas always takes the politicians by surprise.

Sociologists would be well advised if they turned from constructing graphs of the rise in nominal wages to constructing graphs of the rise in the sum total of human misery over the last fifty years and to publicizing the direct relation between the growth of human misery and the growth of centralized political power over the lives, beliefs, and fortunes of men.

It would be too easy a generalization to say that the whole of this fatal sequence of events has been due to the desire of politicians as a class for quick popularity, but it is certain that this has been a major contributing cause. The desire to reap without sowing, to consume without producing, for salvation without suffering—these things are natural to men. What is new in history is that, just at the time when the rule of the state has passed everywhere to men whose power and fortune depend on their retention of public office, a theory of statecraft should become fashionable which holds that the state is supreme over all other social institutions."

There has therefore been no effective challenge to the political claim that the central Government is not merely the last refuge of the oppressed but the normal instrument of social progress.

Politicians asking for votes have thus been, at a time when votes meant everything to them, placed under very great temptation. They could offer anything because they were believed capable of providing everything. That the best Government will come from wise men disinterested in the immediate consequences of their decisions has been a truism from the time of Plato.

That is why I urge you men of education to take your part in Government, to serve the country which needs you in peace just as truly as it ever needed you in war.

Remember in passing that there are two kinds of darkness—the twilight that comes before the black of night and that which precedes the dawn. It is for you to carry the torch which will usher in the dawn of a stronger better world.

Leslie Douglas With Folger, Nolan & Co.

WASHINGTON, D. C.—Folger, Nolan and Co., 730 Fifteenth Street, members of the New York Stock Exchange, have announced that Leslie Douglas has become associated with the firm. Mr. Douglas was a member of the investment management committee of the Royal Liverpool Group of New York from 1937 until 1941 and prior to that time was associated with Clark, Dodge & Co. He joined the U. S. Navy in 1941 and was assigned duty in the rocket division of the Bureau of Ordnance. He was released to inactive duty with the rank of Lieutenant Commander after five years of naval service.

State Control Versus Self-Control

(Continued from page 3474)

been under way for nearly 30 years. It has provided the people with some social protections which they like. It has subjected them, particularly in their youth, to intensive propaganda. It has, through secret police and censorship, detected those who thought independently, and forcibly removed them from a normal place in society. The result, it is claimed, is a homogeneous, docile and productive mass which has peace and security. It has peace because discordant thinking is eliminated before it can lead to discordant action. It has security because planned productivity is imposed.

Soviet Seeks Worldwide Acceptance

Soviet leaders now seek world-wide acceptance of their system. They want everywhere governments which are democratic dictatorships and which will eradicate the freedoms which Soviet leaders consider dangerous. That urge comes from several sources. There is an understandable nationalistic desire to enlarge the Soviet Union and to surround it with satellite states. There is an honest belief that individual human freedom is a basic cause of human unrest and that if it is taken away it will promote world-wide peace and security. But the principal reason why the Soviet program is world-wide in scope is that Soviet leaders feel compelled to seek a world-wide extension of their system as the only way to prevent their labors at home from being undone. It does little good to have destroyed the mosquitos on your own land if they are breeding in surrounding lands and flying in. The Soviet Union cannot be kept purged of freedoms if elsewhere those freedoms are rife. Thus, Soviet leaders feel it necessary to try to bring others to join in the purge.

The Soviet Challenge to Freedom

That challenge to freedom which stems from the Soviet Union is formidable. In part, it attracts because of its new and bold attack on unsolved social problems. In part, it frightens and alienates because it employs abroad, as it has employed at home, methods of coercion and of unscrupulous propaganda. But the challenge is formidable principally because societies of freedom have developed weaknesses which have caused a widespread loss of faith in them.

Weaknesses of Free Societies

Those weaknesses are primarily in the field of economics. In much of the world, indeed in most of the world, there is a single, engrossing human problem — that is the elemental problem of how to keep physically alive. As the result of two World Wars, the material wastage and dislocation have been such that food, clothing and fuel are almost everywhere scarce. There is much actual starvation and severe privation. There is no surplus; no margin for survival. In those areas, interruption of production and transportation, and unequal distribution of available stocks, mean almost immediate death to those unfavorably affected. Under those condtions, there is no great interest in spiritual, intellectual and political freedoms which men can neither eat nor wear. Men want uninterrupted production and equitable distribution of the means of living and they question whether they can best get that in a free society. They ask: Will not individual freedom inevitably be abused or used so thoughtlessly as to wipe out our slim chance of survival?

For guidance in answering that question they look in two directions. On one side they see the Soviet Union. Its leaders are full of confidence. They claim to have found in their dictatorial system the way to assure production free of interruption from strikes or shut-down or from individuals who allow their personal desires to interfere with some general plan. Those claims cannot be tested against the reality because the iron curtain intervenes. But the very fact that the Soviet experiment is surrounded with mystery makes it, to many, the more glamorous and the more tempting.

Foreigners Misunderstand Us

On the other side they see the United States. Our society of freedom is the only society in the world able to produce and deliver what is needed to save much of humanity from extinction. Also, our free people give generously to impoverished peoples abroad without regard to repayment. It might be thought that that unparalleled performance would attract others to the way of freedom. That, however, is not the case. Others observe that, over recent years, we have been restricting human freedom and increasing the area of political authority. They also observe that such personal freedoms as remain seem often to be abused. Most foreigners see us as a people who gorge themselves while others starve and as a people whose selfish quarreling interrupts the production and transportation upon which millions depend for their survival. That is an unfair picture, but there is enough truth in it to make freedom seem a rather frightening thing to those who have no margin for survival.

So, under the influence of those two examples, the trend is away from the free society we exemplify. That kind of a society, as I have said, was always a minority. Probably not more than 20% of the population of the earth effectively had, and exercised, the freedoms which we deem basic. But the other 80% were, on the whole, ineffective and poorly organized groups. About 750,000,000 were dependent, colonial peoples, who took leadership and guidance from the free societies. Today, that 80%, plus a goodly fraction of what used to be the free 20%, are tending to follow the Soviet experiment.

Western Democracies' Elections Encouraging

The so-called Western Democracies of Europe, which were a major part of the free world, are not yet disposed to go all of the Soviet way in abolishing human freedoms. Post-war elections in Britain, France, Belgium, Holland, Austria and Hungary indicate that the majority in these countries wants to find a compromise which, while reducing economic freedom through state socialism, will still preserve a considerable measure of spiritual, intellectual and political freedom. That is encouraging. But it is by no means certain that this compromise will succeed, and even if it does, it still leaves freedom with but a precarious hold in the world.

What is the explanation of what has taken place? It is, basically, that in our land and in other free lands, individual human beings have increasingly failed to exercise the self-restraints, self-discipline and self-sacrifice which are necessary if individual freedom is to be socially tolerable. Mr. Vishinsky, in a powerful speech at the Assembly of the United Nations, went to the heart of the matter when he said: "It is indispensable to bring a limitation to the will and to the action of men. * * * It is impossible not to limit the action of man and the action is limited by laws."

We all agree that the exercise of human freedom must be limited? The point is, by whom and by what, shall it be limited? If a society is to be free, the limitation must primarily be self-limitation. A free society, of course, has man-made laws. In this country and in England, we have what we call the "common law." What is common law? It is nothing that you can find in the statute books. No "politburo" decreed it. The common law is unwritten law. It is custom. It is the standard of conduct which the great majority have already voluntarily adopted to control their own behavior. Also, of course, we have many statutes. But in a free society these, too, are a codification of what the great majority thinks right and would do anyway.

The basic controls of a free society are the acceptance by individuals of the moral law. The fundamentals of that law appear in all our great religions, notably the Christian and Hebrew faiths. The Hebrew faith has given us the Ten Commandments which are perhaps the greatest expression of the concrete applications of the moral law. The Christian faith has added the broad injunction "thou shalt love thy neighbor as thyself" and "whatsoever ye would that men should do to you, do ye even so to them, for this is the law and the prophets.". Thus, the Creator who endowed men with certain inalienable rights also commanded that those rights should be used, not selfishly, but with regard for others.

A society which is not religious and which, in a broad sense, is not educated, cannot have much freedom. It is dangerous to give freedom to people who do not feel under a moral compulsion to exercise self-restraint and self-sacrifice. It is dangerous to give freedom to people who are not sufficiently educated so that they can see and understand the effect on others of what they do. An irreligious and uneducated people inevitably falls under despotism.

Our Loss of Self-Control

The reason why our society of freedom has lost its prestige in the world is primarily because our people, over recent years, have lost much of the self-control and self-restraint which were characteristic of the last century. We laugh about the puritanism and the austerity of the past. But that was the way our forebears trained their moral muscles for the struggle for freedom. Today those muscles are flabby. We have a great deal of so-called education, but that education has too often become a mere memorizing of facts which, it is hoped, will be of practical utility. Our system of education has largely broken contact with the gerat faiths and beliefs of the past and with the great teachings of the moral law. Our people have more and more come to assume that a little group of office holders will decide on what is right and spell it out in statute law and that, as long as they do not violate such man-made laws, they are free to do whatever they please. Under those conditions, freedom becomes license and it rapidly evaporates. In this country we are still officially committed to a world of freedom, and we still talk a great deal about freedom, but we have actually come to use our own freedoms in ways which, to others, seem to show that freedom leads to a disorder which the world, in its weakened condition, cannot stand.

There are some who believe that the challenge to freedom which rises about us and which infiltrates into our own midst, can be met by some sort of violent reaction. They would have us use our preponderant military and economic power, while we still have it, to crush out those who lead the experiment against freedom. That is folly. If we destroyed the present Soviet leadership, that would prove nothing. Freedom cannot be saved except by actually displaying the self-restraint, self-control and self-sacrifice which are needed to make freedom socially tolerable. We must demonstrate in the present what our forebears demonstrated in the past — that individual human freedoms can gloriously serve mankind.

If we do that, the cause of freedom will regain prestige in the world. We shall no longer be dangereously crowded and jostled by others who feel they are riding the tide of history. We shall be physically and spiritually safe.

Self-Control or State-Control?

That is where you come in. No doubt many of you are perplexed and worried at the state of the world, but you feel that there is nothing which you individually can do. The forces at work seem so stupendous that your individual conduct seems unimportant. That is a dangerous form of defeatism. Actually, the struggle we are engaged in can only be won by individual action. The heart of the problem is, will the individual be self-controlled or must he be state controlled? Only individuals, by their individual conduct, can give the answer to that question.

You who graduate tonight have been training your minds so that you can perceive the effect on others of what you do or fail to do. You have grown up in a religious environment. You know or should know, what the moral law commands. If you apply that knowledge in your daily life and daily conduct, you will have struck a good blow for the cause of freedom. If you do not, you will have been a traitor to that cause. This is not a struggle where anyone can be neutral. It is not a struggle where anyone, however obscure, can say that what he does is unimportant. This is a struggle where freedom is judged by the conduct of all who have freedom. That, in this country, means all of us.

I know that the struggle for freedom can be peacefully won. But the people who have freedom will have to win it for themselves. We cannot rely upon those in public office to take command and to give leadership in this battle. They are, on the whole, honest men who, with a few exceptions, honestly believe that the best way to solve every difficulty is to increase their own power. That is their stock in trade. If you are unwell and go to a dentist, he will probably take something out of your mouth. If you go to a dietician, he will probably take something out of your diet. If you go to an official, he will probably take something away from your freedom.

Of course, our modern, complicated, interdependent society needs more central guidance than did our more simple society of the past. But that does not mean that state-control is any substitute for self-control. Rather, it means that the price of freedom has gone up. Under modern conditions we need not less, but more, self-control. That is the lesson that must be driven home.

The Great Moral Issue

Most of those in public authority have a blind spot in this matter. Because of that, they have failed to see that the gerat issue of our time is a moral issue, namely, the acceptance by individual human beings of the dictates of the moral law. Because they have not seen that that was the crux of the world-wide struggle, they have not been able to explain to the American people why, despite our overwhelming military victory over Germany and Japan, our society of freedom is still in jeopardy. They have not told our people how each of them, individually, could act to save freedom.

The lack of official leadership need not be fatal. The genius of a free society is that it rises superior to its officialdom. We have education which is free and independent. It is not yet state-directed propaganda. We have churches which are free and independent. They still assert an authority superior to that of State. It is through churches and schools that a free society keeps itself free. Through them the people learn for themselves how by self-control to avoid state control. They learn that self-restraint and self-sacrifice alone enable men to win and keep their freedom and to spread the gospel of freedom throughout the world. You have, I hope, learned that lesson. From now on you will increasingly have to live it. Every day will test you. May your response be such that, in the words of our Constitution, you will "secure the blessings of liberty to ourselves and our posterity."

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Mabon Kingsley, general partner in Mabon & Co., will also become a limited partner effective July 1.

Charles F. Coaney, general partner in Butler, Herrick & Marshall, will become a limited partner, effective July 1.

James S. Bush will retire from partnership in G. H. Walker & Co. on June 30.

Interest of the late Harold B. West in Wood, Struthers & Co. ceased June 21.

Interest of the late Walter T. Rice in Daniel F. Rice & Co. ceased June 8.

Brand Names and Free Enterprise

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we just concluded a Herculean struggle.

Be that as it may, we have seen labor barons and bureaucracy setting wage scales, working rules, profits and prices. On the production front, the owner and manager has already been knocked out of the fray. They stand groggily on the side lines while the other two battlers fight it out.

If there is any doubt in your mind about the accuracy of this picture, may I remind you of two spectacles, fresh in our memory, the rail strike and the coal strike. Where were management or ownership in those dramas?

When the battles were really on, management was invited to cool its heels in Washington hotels until the heavyweight contenders had fought it out—and the decisions were announced.

What About the General Public?

Where does the general public, the average consumer, come out in all this? In the free competitive enterprise system, as it once operated, the average American was sovereign referee. Corporation could slug it out with corporation, but in the end productive process, employment standards and distribution methods had to cater to the willingness of Mr. and Mrs. America to buy goods.

Part of that sovereignty is already gone. Competition in production costs becomes a travesty when major elements of cost are fixed by labor monopoly and government control.

But the public still has one ace in the hole. That is its control over standards of quality and technological improvement of products through competition at the market place. As long as the public pits manufacturer against manufacturer in the arenas of brand identification and advertising, it will continue to have some sovereignty over the economic process. The brand names competitive system is very nearly all that is left of free enterprise.

At first blush it may seem pretentious to call the signing of ads, packages and products—the simplest step of advertising and merchandising—to an art director just a matter of dropping a slug at the bottom of a layout—it may seem pretentious to call that "a system."

Importance of Brands

Yet—when an objective view is taken—it becomes impressively clear how much of our philosophy of life is embodied in distribution by brands.

In the life of the average American, brand names and trademarks are the continuing symbols of competitive enterprise serving his daily needs.

Brand names are the vital links that tie producers to users of goods. Their very existence maintains a strong moral element in production.

Through these symbols any consumer can hold any manufacturer specifically and directly responsible for the quality and integrity of the products he buys.

With brand names he can and does pit producer against producer—stimulating them, needling them—to make him something new, something better. The power of the brand name system keeps scientists and technicians working overtime in their laboratories to raise American living standards.

Freedom of brand selection and rejection is a proud confirmation that the individual tastes of any American must be reckoned with. Brand names sum up the unique and distinctive aspects of his choice. If he likes a brand that by anyone's standards may be undesirable, that is strictly his personal business. His brand tastes are as intimately his own privilege as are the affairs of his marital life.

With this vocabulary of brand names, learned through advertising, Mr. and Mrs. America can be as sure, confident, efficient, breezy in their shopping as they like to be in every phase of their lives. They can "run in" to a store, at home or 3,000 miles away from home, and buy a precisely known quantity without delay, hesitation, or uncertainty.

We know that the consumer shares other benefits through brand names and advertising. We know, for instance that he would not get anything like the value industry can give him for his dollar if it were not for the fact that loyal markets underwrite the risks of mass production.

We know that the public reads a free press, enjoys good radio entertainment and many other privileges of a free society, only because competition between brands provides an independent source of revenue for channels of information. Government subsidy and domination would follow as inevitably as the sun rises and sets if publishers and radio stations did not have the alternative of advertising revenue.

All these benefits—confidence, better living standards, freedom—the public owes to the practice of brand identification—which the Brand Names Foundation chairman, A. O. Buckingham, not long ago called "the best consumer system ever devised."

The Last Bulwark of Free Enterprise

So much that is beyond the control of any power-hungry group is inherent in this pattern of distribution — this last bulwark of free enterprise—that one cannot conceive of its being to the liking of anyone contending for absolute or ultimate economic supremacy.

So much that is essentially respectful of the individual is epitomized in the system, that it is inevitably repugnant to devotees of collectivist or totalitarian philosophies.

I have no crystal ball—and I'm no Drew Pearson—but I'll venture the prediction that, when the battle between the big contenders for control over the productive process has stabilized, and the supply of goods begins once more to approximate the demand, the big guns of both contending factors will once more be turned on our processes of distribution. The brand name system and advertising will be the targets.

I say "once more" because, in considerable measure, history is repeating itself.

When the first world war was over, our production system then, as now, had undergone unprecedented expansion. Labor leadership, as in the present instance, was fighting to advance its power. The postwar wave of strikes is well remembered. At that time, the American collectivistic movement was comparatively in its infancy, still nestling for the most part, in the ivory towers of academic institutions.

Attacks on Distribution System

As soon as production was reasonably stabilized, the hue and cry went up that our distribution was bad. It cost too much. The consumer was being confused.

It started with the collectivist minded group, who had found a cause.

In 1926, Ralph Borsodi wrote, in "The Distribution Age":

"The Golden Age of production is past. The age of distribution is upon us . . . Under the stimulus of war (World War I), American industry discovered that its facilities for production, laboriously improved during the half century since mass and standardized production started during the Civil War, are really capable of producing in endless quantities.

"If the manufacturers, who are today the dominant element in the development of marketing and merchandising methods, are permitted to maintain their leadership in distribution, then we shall see a development of brand specifications, high pressure selling, and national advertising in the next 50 years by comparison to which existing methods will seem infantile. We shall see a complete transformation of manufacturing and the great assets of our manufacturing establishments will no longer live by their production facilities, but their marketing organizations and the good will of their brands."

He concluded: "Distribution costs will continue to rise. Marketing methods will become more than ever a reflection of the individual necessities of various manufacturers, and even less than today, a reflection of the needs of the needs of society."

That was his dismal forecast. How true a prophet did he prove to be?

As a matter of fact, what happened was that costs of goods went down, society's needs in 1926 more than ever before, governed the economic process—but the attack was on.

Nineteen twenty-seven saw the publication of "Your Money's Worth" by Stuart Chase and F. V. Schlink, soon followed by "100,000,000 Guinea Pigs," "Skin Deep," "The American Chamber of Horrors" and other volumes of a similar kind. The Consumers Union, Consumers Research and other organizations, moving toward the concept of arbitrary grading and mandatory classification of goods, came into being.

Labor leadership, lacking an immediate issue of wages, working conditions or unemployment on the production front, took up the academician's cause with enthusiasm. It is well to remember that a labor leader has to have some issue if he is to hold his following. When attempts to arouse strife in the factory become temporarily fruitless, there must be something else.

The collapse of 1929 for the moment submerged all this. Vigorous attempts to advance government control over advertising and to submerge brand identification, during the NRA dominance over industry and again through the war agencies, were not too successful.

But it is not the purpose of this talk to dwell on history. You are familiar with this narrative—including the wartime efforts to establish grade labelling as buying guides for apparel and food products, frustrated by the Boren-Halleck Committee.

I review these past events only to remind you that the attack on our institutions of competitive distribution has had a strong momentum and that the motive exists for its even more vigorous propulsion in times that lie ahead.

Will "Grade Labelling" Be Revived?

There is a disposition among some observers to think that because the struggle for power is concentrated in other sectors, that perhaps with the failure of efforts to effectuate wartime grade labelling, the attack on the brand names system and advertising practices are at an end.

Don't let a "phoney peace" deceive you.

First of all, the cultivation job goes on, "day by day—in every way," as M. Coue used to say.

Any women's organization leader can tell you that the week is rare when a spokesman for the "new consumership" propaganda is not offered to her rostrum.

Any teacher of home economics

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Railroad Securities

On the whole the freight rate increases granted by the Interstate Commerce Commission late last week were disappointing. In effect, roads outside of Official Territory (the northeastern section of the country) were granted restitution of the old emergency freight rate increase which was granted a number of years ago for the war period plus six months, and then periodically suspended. With the many exceptions to a straight 6% increase the average yield of the higher rates is estimated at around 4.7%. In addition to this restitution of the old emergency increases, roads in Official Territory were granted an extra boost of 5%, but also with important exceptions. On the average it appears likely that the new Official Territory rates will work out around 9% above present rates.

Had the Commission come out with these proposed emergency increases a number of weeks ago they would probably not have been considered disappointing. The disappointment largely arises from the time consumed in arriving at the present unsatisfactory solution. At the outset it had been felt that if no more than the Ex Parte 148 increases were to be reinstituted an immediate decision would have been possible. With the delays the feeling had grown that a more favorable decision was in prospect. There is one other potential weakness or danger in the present increases and that is that they may eliminate any sense of urgency in the Commission's deliberations on the question of permanent freight rate adjustments and further delay the final decision. Be that as it may, it now seems probable that the final decision will not be forthcoming until well towards the end of 1946, or perhaps even later.

While the Commission's decision was disappointing it is by no means cause for any great pessimism towards the outlook for the railroads and railroad securities. It will be difficult for some of the western roads such as North Western and St. Paul to offset the poor showings of the first half with such a meager freight rate increase. On the other hand, others such as Texas & Pacific, Sante Fe, Southern Pacific, and Union Pacific should be able to continue showing highly satisfactory results for the year as a whole. In the case of the eastern roads the additional increase granted in Official Territory should pretty well offset at least the 1946 increase in wages. Moreover, there seems ample justification for the hope that when the question of rates is finally settled the Commission will be considerably more liberal than it has been in the temporary increases.

Aside from the rate decision the only recent railroad news of particular import was the decision of Illinois Central directors to abandon, at least temporarily, the debt consolidation program. This was the plan under which holders of non-callable underlying bonds maturing in 1951 and 1952 were offered a new blanket 3¼% mortgage bond and varying amounts of cash in exchange for their present bonds. The plan had been conditioned upon holders of half of the affected bonds accepting the terms. The necessary 50% assents were not forthcoming even though the time for assent was extended beyond the original termination date of June 3 and the original offer was sweetened by increasing the proposed coupon on the new bonds from 3⅛% to 3¼%.

Failure of this part of the plan will apparently mean abandonment of the second step also. The second step was to have been the refunding of the Refunding 4s and 5s, 1955 with another series of the new blanket mortgage. Thus, the road is still left wtih its rather formidable maturity schedule in the early 1950s and without the further reduction in its fixed charges that had been hoped for in the plan. The charges themselves should not prove too onerous a burden for the road to carry even under normal traffic conditions. Nevertheless, it can be taken for granted that the management will continue to exert its greatest efforts for a further reduction, and hopes for dividends on the stocks over any reasonably near term seem out of the question now.

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or social science has always available a ready supply of plausible literature depicting the inefficiency of our methods of distribution—the "high cost" to consumer of advertising, the monopolistic character of trade marks, the virtures of mandatory government grading.

Any member of Congress can point to a collection of resolutions and bills, ready for Congress but for the moment not pressed, limiting and curtailing freedom of brand competition, trademarking, and advertising.

Bureaucracy itself is not making ing a great issue of the subject, at this instant, but the literature of the Federal propaganda machine never ceases to keep the issue alive.

The Consumers Union

The Consumers Union has become one of the most active lobbies in the Capital, and it marshalls imposing strength when it wants to make its power felt on such questions as the continuation of OPA and other subjects in which it is interested.

Organized labor's growing internal educational program is built on the thesis that the worker is at a disadvantage, whether dealing with management as an employee or as a customer. Much of it parrots the Consumers Union and the early preachings of Stuart Chase, line for line, word for word.

Within business itself, we have our busy "Quislings"—distributors of various kinds—who like to borrow from anti-brand propaganda to build markets for private labels and thus gain temporary bargaining power over manufacturers. There are lines in mail order catalogues and some chain store advertising that appear to be borrowed intact from the texts of the so-called "prophets of new consumership."

The attorneys of your firms will tell you that the doctrine of distrust at the market place and the undermining of brand names and trademarks is beginning to find reflection in judicial decisions, with and without foundations in law. One Federal Circuit judge, not long ago, characterized the preference of consumers for trademarked goods as "the non-economic snobbish desires of consumers." He also advanced the novel idea that when a consumer buys an article bearing a counterfeited trademark, he is not harmed if the article is not inferior.

No—don't let's let a lull in the firing deceive us. Whether or not we would choose it to be so, we of product distribution are likely to be called to hold the line of the final battle for the perpetuation of the free enterprise system, of individual liberty itself.

It has been my impression, and I believe a correct one, that with a few exceptions, advertising men were long reluctant to become involved in the broad, abstract issues of the day. They were particularly fearful in any way to relate actual advertisements to these issues.

For many years it was considered wise to leave to top policy management the problem of defending free enterprise as an over-all institution or of interpreting the forces and practices that comprise free enterprise.

It is fruitless now to debate whether or not the past position of advertising was wisely taken.

Function of Advertising

Certainly, the position was and is understandable. It would be difficult to realize sales quotas with limitations on the acceptability of customers according to their economic literacy, moral rectitude, or any other criteria. The function of advertising has traditionally been first, second, and third to acquaint the public with the attributes of the brand advertised. If it fails in that function, it cannot be economically justified.

Also, we of advertising—in fact business men generally—are unaccustomed to this kind of battle. After long dealing with concrete products and tangible sales objectives, the battle for acceptance of abstractions and the dissemination of an economic philosophy requires a new viewpoint, a new idiom and a new approach.

Yet the march of events often overcomes the seeming logic of any situation.

The responsibilities of the recent war destroyed the prior limitations of our concept of advertising. One billion dollars worth of bond sales, fat salvage, recruitment and other war drive advertising testify to the vigor with which advertising can accept a challenge if it has to.

And the urgent need to protect not only our markets and our very existence, but the public's infinite stake in the system of individual freedom, must cause further adaptation of our thinking.

Leadership of advertising from coast to coast is accepting the challenge. The great national and regional organizations — ANA, AFA, the 4A's, your own, and others—have called upon advertising to do a selling job, such as only it can do, presenting the truth—the dramatic convincing facts about the almost incredible services that advertising and brand identification render to the American consumer. Leaders of advertising in every industry together with agencies, and media, are calling upon their colleagues to contribute financial support and active cooperation to the organization which is spearheading this concerted presentation to the public, the Brand Names Research Foundation.

The Future of the Bull Market

(Continued from page 3473)

creases, the struggle over Government controls and profit restrictions and the generally disappointing trend of international affairs.

In February we concluded that the bull market would run into the post-war period (with the usual intermediate rises and reactions) with a continuance of very selective action. Market action has been very selective, but the market has indeed had a wide rise, the most dynamic part of which, however, was over by early this year.

The present bull market has now last two months more than four years. Only the 1932-37 and 1923-29 bull markets (some analysts date the latter from 1921) have exceeded it in duration. That which ended in 1937 lasted four months less than five years. The great bull market of 1929 endured for at least six years. In per cent rise, however, the existing bull market, with 129% advance scored, is still far behind the 372% in 1937 and the 344% of 1929. (It was also well exceeded by two earlier bull markets.)

Three Typical Phases

Of course, there is no reason why a bull market should exceed, fall short of, or approximate any previous bull market. Each one has its own characteristics, like the economic cycle that it reflects. But, from another point of view, there are three typical phases that bull markets characteristically pass through. These are: (1) rebound from over-depressed levels; (2) adjustment to improving conditions; (3) overdiscounting of favorable prospects because of excess of optimism. These phases may, of course, vary greatly in the proportion of both movement and time of each bull market that they represent.

In our previous discussion, we expressed the opinion that the first phase of this bull market—remembering that a bull market is well-defined as "the longer-term major uptrend of stock prices, usually roughly approximating in time a similar economic trend"—ended in July, 1943, and that we were still in the second phase.

Despite the large intervening rise, we doubt that the market has really entered the third phase even yet. There is certainly no typical excess of optimism; in fact, cautiousness, bred by various difficulties and unsettled conditions, is quite widespread. Average price-earnings ratios are undeniably high; but when these are broken down into those stocks which have experienced better earnings so far this year, and those which have had poorer, the picture is different.

Price-Earnings Ratios

In the case of companies like those in the retail trade and amusement fields, where great progress toward realizing expected peak levels of earnings is being made, prices are generally not high in relation to 1946 earnings forecasts. In the case of heavier lines, prices are not high in relation to the potential earnings of a year of two from now.

This also means that, while excellent opportunities doubtless exist among distributive and immediate consumption goods industries, the future of the bull market lies largely in the capital and durable goods fields. We believe that the companies in these latter fields will in general attain highly prosperous conditions, since demand is undoubtedly there, as well as the means of payment with employment and income high and liquid resources in the hands of the public all at unprecedented levels (even though the Government has ceased to pump out purchasing power via deficit financing). Government debt retirement is not bearish; the great bull market of the 1920s blossomed while the debt was cut from $22 (after a high of $26 billion) to $16 billions.

The Factor of Yield

Another point is that though yield on stocks has fallen greatly, it still averages 3.4% as against 2.5% on high grade corporate bonds. In view of the unprecedentedly low level of interest rates and the Government controls, it may be that stock yield will not, as on previous occasions, equal or fall below bond yields before the bull market ends (although the low interest rate basis might imply a higher normal range for price-earnings ratios). But no bull market began with a greater emphasis on income than the present and this emphasis has not been eliminated. Stock yields are still attractively above those on bonds, appreciation prospects lend further attraction, and the prospect—being realized in numerous cases—of higher dividends is a factor of strength. It is true that high-grade bond yields have probably seen their low; but a rise in bond yields has been known to precede the culmination of a bull market by well over a year.

Higher Earnings Prospect

A further consideration is that it is extremely difficult to believe that, with due regard to obstacles still to be overcome, earnings as a whole in 1947, and quite possibly also in 1948, will not exceed appreciably those of this year. Bull markets seldom, if ever, have ended in the year *before* peak earnings were attained, but usually in the peak year. In fact, there are instances where they ended in a later year. On this basis, unless a relatively early rise of most extreme proportions is to be seen, the bull market could be expected to run into 1947 or even 1948.

Further Rise Indicated

Turning to the more immediate situation, there are market technicians who would like to see a greater exceeding of the previous high) by the Rail Average before acceding to the opinion that a new upward "leg" of this bull market is indicated. We believe they will get such a confirmation, but also believe that such a further rise is already indicated.

The breakthrough into new high ground has not been of the convincing type often seen in the past, but actions similar to the present instance have also proved valid indications. Unlike more smashing action, no significant part of the expected further rise has been seen; whatever it is, it lies virtually entirely ahead of us. Confirmatory action has, about as often as not, been followed by irregularity or recession as by immediate advance. Further decline may well be seen this time before the indications are carried out. One factor in favor of a nearby rise is the rather reliable seasonal tendency for advances in the summer months, with usually a good rise over spring levels occurring before autumn.

Near-Term Developments

Aside from technical angles, there are, as usual, both good and bad probabilities and possibilities in the offing. What is done about the OPA, labor legislation, foreign developments, the strike situation here, the political trend this fall—all will influence near-term market movements, spurring or retarding any rise. Most important of all will be the ability of the industrial machine really to begin to achieve production potentialties, so long looked forward to. Definite and prolonged further failure in this respect—which we certainly do not expect—would be a most depressing market factor over coming months.

Conclusion

As to the future of the present bull market, our opinion, as expressed above, is that it will not end this year. Furthermore, given any good combination of various favorable potentials already visualized, we would look for the bull market top, whenever it does occur, to be substantially beyond current levels. This is not an attempt to forecase the end of the bull market, and is about as far as conjecture can reasonably be carried.

Joins William Blair & Co.

CHICAGO, ILL. — **George F. Brewer** has joined the staff of **William Blair & Company**, 135 South La Salle Street, after serving in the U. S. Army. Prior to military service, he was with Lazard Freres & Co.

With Robert McMaster Co.

CHICAGO, ILL. — **Ralph R. Maloney** is witn **Robert F. McMaster & Co.**, 105 South La Salle Street.

THE NEW YORK CENTRAL RAILROAD COMPANY

EXTRACTS FROM ANNUAL REPORT—FOR THE YEAR 1945.

To the Stockholders:

In 1945 the operations of the New York Central, in common with those of other railroads and many industries, were affected by the unusual conditions which resulted from the termination of hostilities.

During the first half of the year shipments of war supplies and the transportation of troops continued in heavy volume. At the beginning of the year the movement of traffic was seriously impeded for several weeks because of weather conditions in the Great Lakes area, with low temperatures and exceptionally heavy snow fall, extending as far east as Syracuse. Following the cessation of hostilities on the European front, the redeployment of troops from that area and the transportation of returning service personnel placed a very heavy burden on the available passenger equipment. With the end of the war in the Pacific, followed by demobilization, the transportation of military personnel increased to such an extent that it became necessary to curtail the service provided for civilian passenger travel. In the latter part of the year there was a considerable falling off in the volume of freight traffic, which was due not only to the substantial reduction in the shipment of war materials, but also to a decrease in the movement of raw materials and finished products as a result of labor difficulties in a number of the major industries in the territory served by the New York Central.

Gross earnings of the Company receded moderately from the record high reached in 1944. Net income was $24,412,525, or $3.79 per share.

Operating Results

Total operating revenues were 8.5% lower than in 1944. The decline in freight revenues was 10.6% and in passenger revenues 6.4%. Other operating revenues increased 0.85%.

The volume of freight moved, as measured by the number of tons moved one mile, was 14.56% less than that of 1944. The revenue per ton mile was 9.44 mills.

Passenger traffic, as measured by the number of passengers carried one mile, was 5.44% below the record level of 1944. Revenue per passenger mile averaged 1.928 cents, compared with 1.948 cents in 1944. Movement of the armed forces on active duty and in demobilization contributed greatly to passenger volume, as did also travel at reduced rates by large numbers of service men and women on furlough and by discharged veterans.

Railway operating expenses (not including taxes, or other deductions and fixed charges) were higher than in 1944 by $48,841,337, or 9.2%. The principal reason for the rise in the year's operating expenses was that they included $45,595,147, representing unamortized expenditures for emergency facilities acquired prior to Sept. 1, 1945. These facilities embraced additional cars, locomotives and other equipment, as well as roadway improvements, found necessary in the interest of national defense. Their cost could, as provided by law, after certification by appropriate Government authority, be amortized over a 60-month period, or a shortened period upon proclamation determining the end of the war emergency. Prior to Sept. 29, 1945, amortization of such facilities had been accrued on the books of the Company at the rate of 20% annually from the time of acquisition. Under date of Sept. 29, 1945, the President of the United States proclaimed the end of the emergency as it affected this situation, and the Company elected to include in its expense accounts for the year 1945 the balance of the unamortized cost. These emergency facilities having now been fully depreciated, there will be no subsequent depreciation charges in respect of them.

Taxes

Railway tax accruals were lower than in 1944 in the amount of $91,949,745, or 93.5%. This abnormal decrease was largely brought about by the lower revenues realized and by the accelerated amortization of wartime expenditures referred to above. By reason of such charges and decreased earnings, the Company incurred no liability for income taxes for 1945 except Canadian income tax and Federal income tax in connection with certain lessor companies, and became entitled further to recover, under the tax law, a certain proportion of Federal taxes paid in previous years. Adjustment of other over-accruals of taxes applicable to prior years also contributed to the total amount of reduction.

A comparison of the tax accruals for the years 1945 and 1944 follows:

	1945	*1944*	*Decrease*
U. S. and Canadian Income Taxes	$ 3,838,925	$53,249,129	$49,410,204
All other taxes	44,782,770	45,123,774	341,004
Total	$48,621,695	$98,372,903	$49,751,208
Readjustment of prior years taxes	32,778,220 *Cr*		32,778,220
Over-accruals, prior years	9,420,317 *Cr*		9,420,317
Net Tax Accruals	$ 6,423,158	$98,372,903	$91,949,745

Fixed Charges

Fixed charges were lower than in 1944 by $2,111,966, or 4.6%. Rent for leased roads and equipment decreased $1,011,518; interest on funded debt, $907,339, and on unfunded debt, $220,381. Amortization of discount on funded debt increased $27,272.

Dividends

Dividends on capital stock continued at the same rate as in 1944. On May 9, 1945, the Board of Directors declared a dividend of 50 cents per share upon the capital stock of the Company, payable July 16, 1945, to stockholders of record May 26, 1945, and on Nov. 14, 1945, a dividend of $1 per share, payable Jan. 15, 1946, to stockholders of record Dec. 1, 1945.

Net Working Capital

As set forth in the condensed balance sheet, Current Assets exceeded Current Liabilities at the end of the year by the amount of $149,784,642. During the year certain changes were made in the accounts classified as Current Assets and Current Liabilities in order to conform to the present Interstate Commerce Commission regulations. For comparative purposes, the 1944 accounts have been re-stated and, as shown, Current Assets at the close of 1944 exceeded Current Liabilities by $99,549,291. The ratio of Current Assets to Current Liabilities at the close of 1945 was 2.21 as against 1.51 in 1944.

Capital Obligations

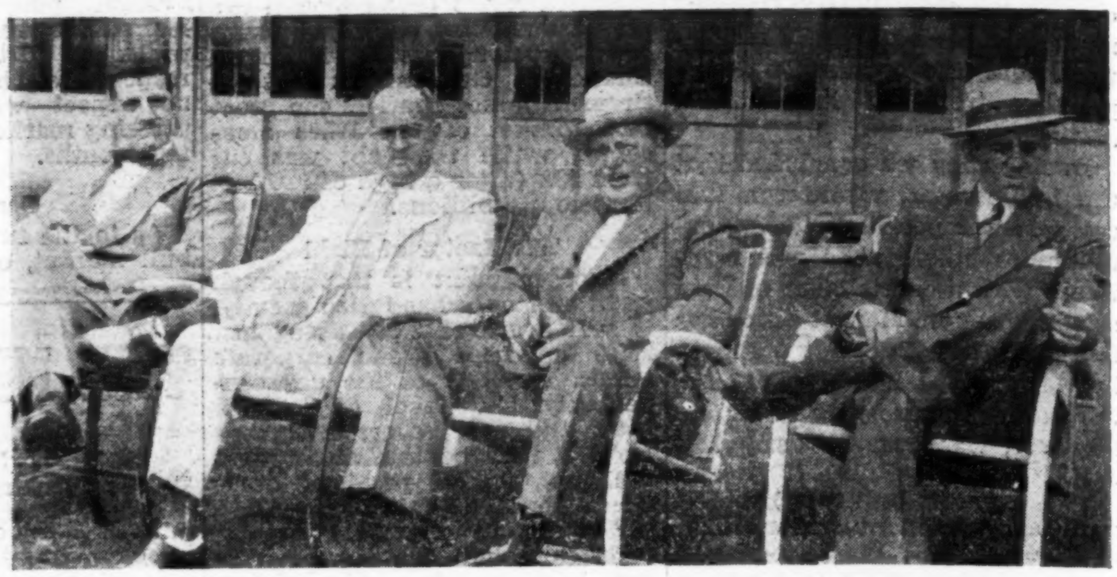
The steady reduction of the outstanding debt of the Company and its lessor companies continued in 1945, despite the necessity of financing sizeable acquisitions of new equipment and further expenditures in connection with the grade crossing elimination program in New York State. The gross reduction in bonds, equipment trust certificates and other capital obligations in the hands of the public and in amounts payable to the State of New York on account of grade crossing elimination, totaled $22,065,060. Partially offsetting this reduction were the issue and sale of obligations amounting to $17,654,240, representing a part of the purchase price of new equipment, and further advances of $1,636,439 by New York State in connection with elimination of grade crossings. Thus, at the year's end total debt represented by capital obligations outstanding of the Company and its lessor companies, was $855,406,532, compared with $858,180,288 at the end of 1944, a net reduction of $2,773,756. Not reflected in these figures, however, is an advance in the sum of $4,500,000 made by the Company to the Louisville & Jeffersonville Bridge and Railroad Company, a wholly owned subsidiary, to enable that Company to pay and retire its outstanding first mortgage 4% bonds which matured on March 1, 1945.

Since 1932 there has been a net reduction of $253,401,420, or 22.9%, in the total outstanding amount of capital obligations of the Company and its lessor companies. Interest, computed on an annual basis, on such obligations outstanding at the end of 1945, was $14,141,486 less than on those outstanding at the end of 1932, a reduction of 29.8%.

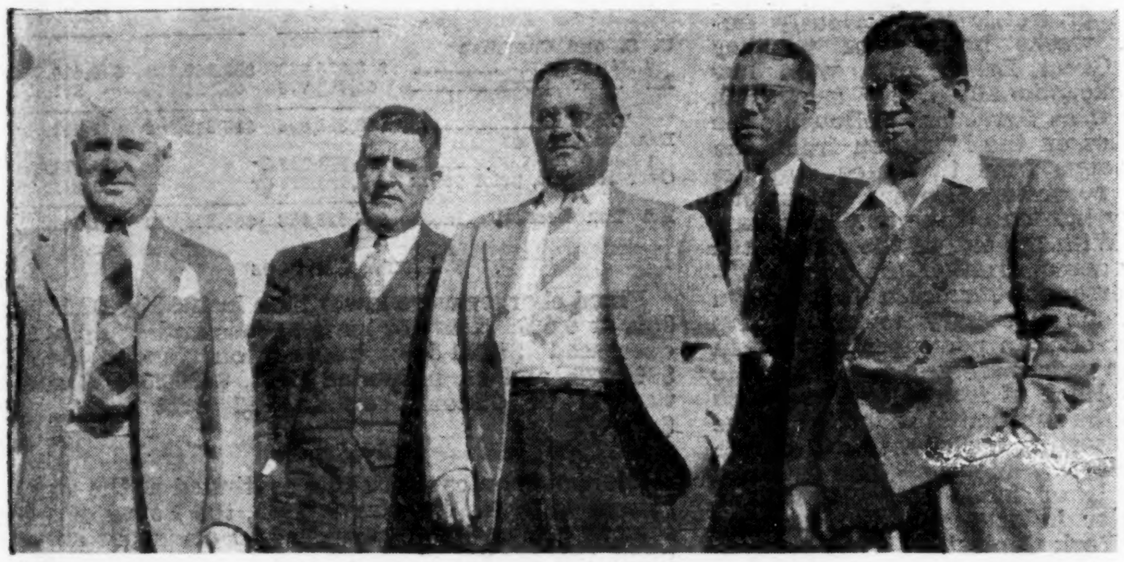
For Comparative Income Account, Balance Sheet, etc., see Statistical Issue of Chronicle dated June 24, 1946.

Boston Security Traders Meet

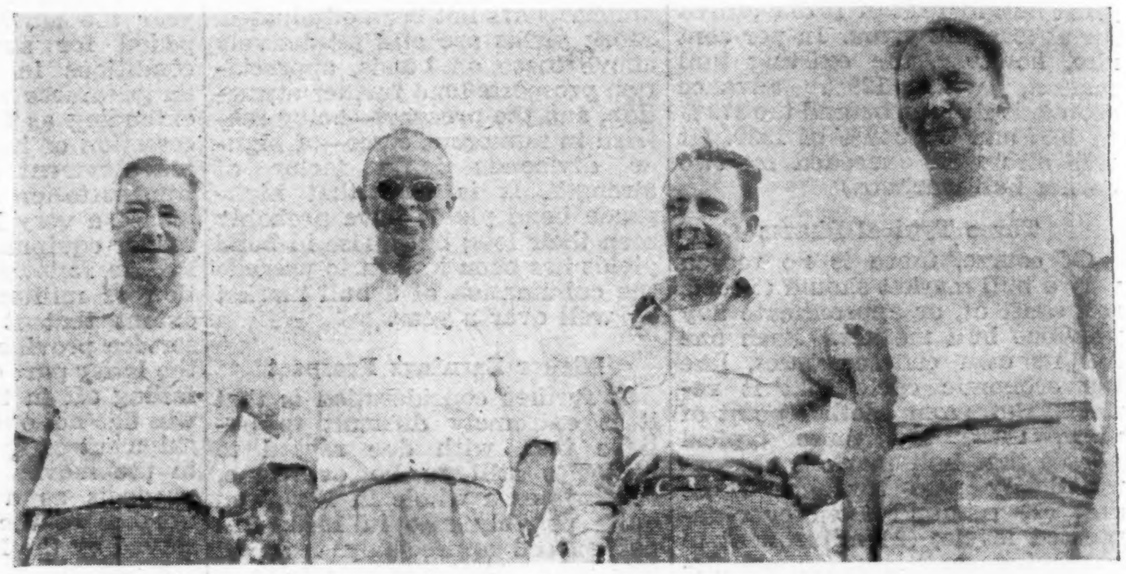
Arthur Engdahl, *Goldman, Sachs & Co.;* Howard Harris, *Baldwin, White & Co.;* Lee Hallett, *Draper, Sears & Co.*



Dick Hart, *Draper, Sears & Co.;* Bob Adams, *L. F. Rothschild & Co.;* Wallace Mosson, *Barrett & Co., Providence, R. I.;* Irving Le Beau, Jr., *May & Gannon.*

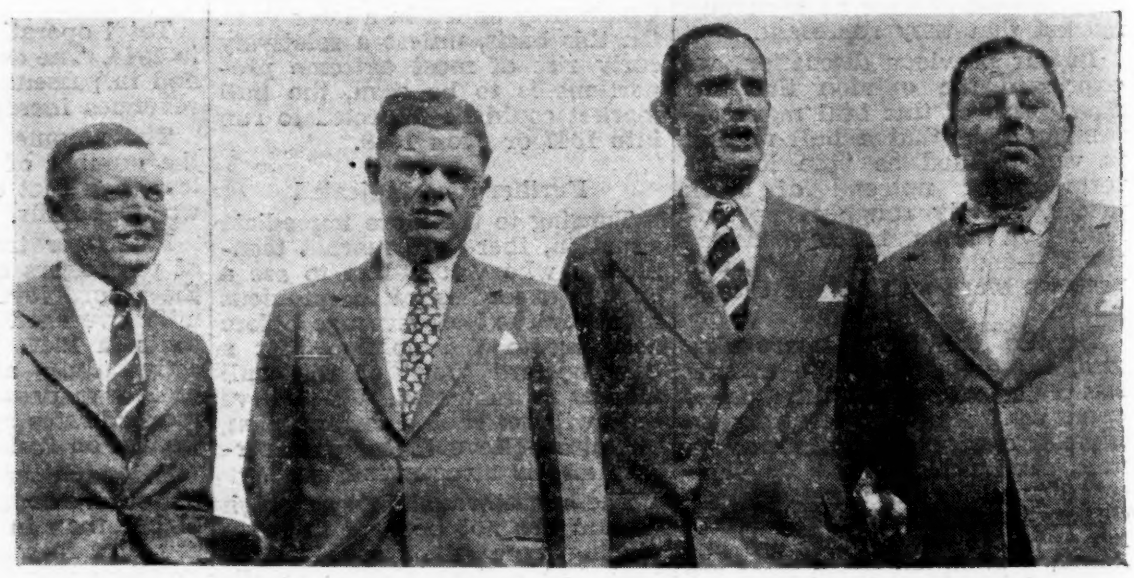


George Stanley and Eddie Creamer of *Schirmer, Atherton & Co.;* Leon Day, *Chas. A. Day & Co.;* Hale Atherton and Frank Breen, of *Schirmer, Atherton & Co.*



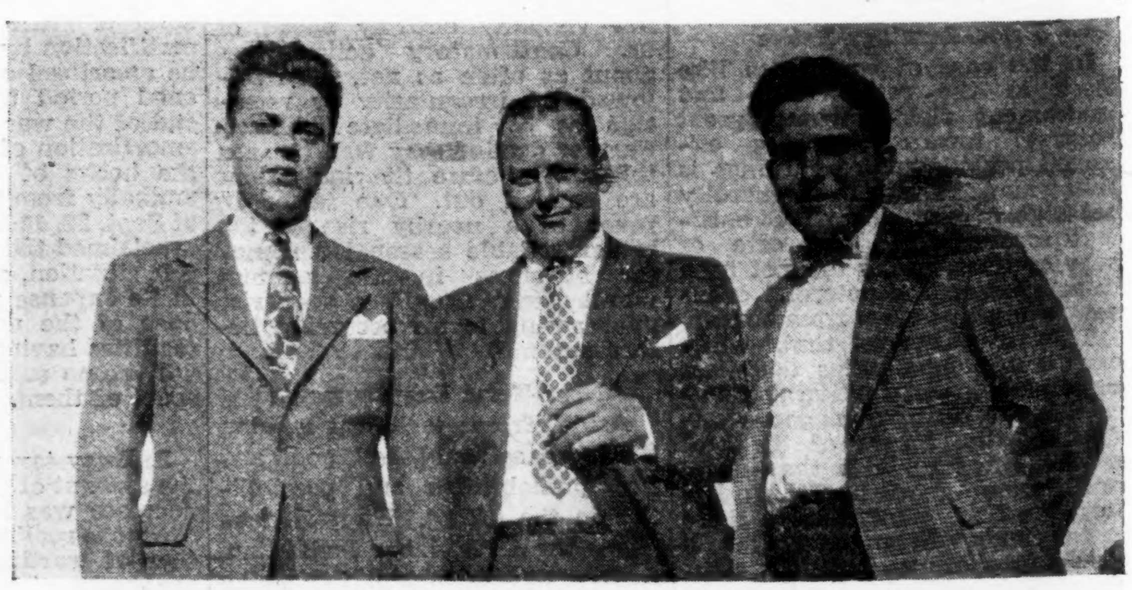
Theodore Eldracher, *R. W. Pressprich & Co.;* Frank Ward, *H. C. Wainwright & Co.;* H. M. Smith, *Copley Plaza Hotel;* Carl Jordan, *R. W. Pressprich & Co.*

Frank Harrington, *H. D. Knox & Co.;* Anton E. Homsey, *du Pont, Homsey Co.;* Accordian Player; John Daley, *E. H. Rollins & Sons.*



Bill Skinner, *Walter J. Connolly & Co.;* Milton F. Lewis, *Ira Haupt & Co., New York City;* Russ Bramble, *Ira Haupt & Co., Boston;* John French, *Pearson, Erhard & Co.*

Russell Dean, *F. L. Putnam & Co.;* John Tirrell, *Star Printing Co.;* Rod Darling, *du Pont, Homsey Co.*

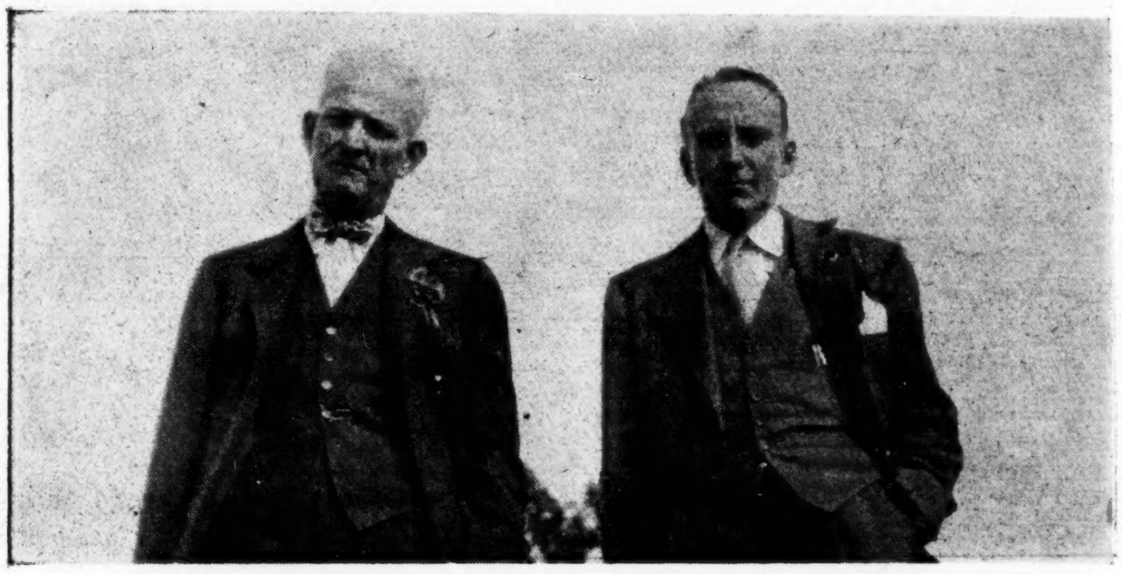


Fred Moore, *J. Arthur Warner & Co.;* King Ghegan, *Ira Haupt & Co.;* Bill Conary, *J. Arthur Warner & Co.*

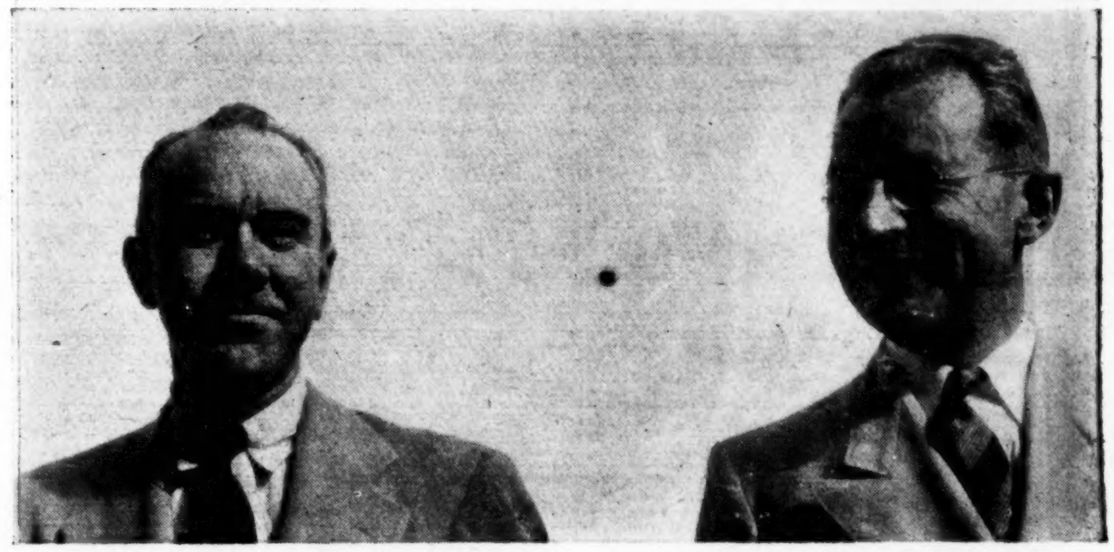
Visitors Find They're Not Effete

Sumner Wolley, *Coffin & Burr*; Frank Lynch, *Hunnewell & Co.*; Bob Warren, *Geyer & Co.*; Lon MacDonald, *Paine, Webber, Jackson & Curtis.*

C. H. Marshall, *Josephthal & Co.*; Henry McAllister, Jr., *Frederick C. Adams & Co.*; A. H. Reilly, *Josephthal & Co.*



W. E. Miller and Al Dykes, of *Whitney & Elwell.*

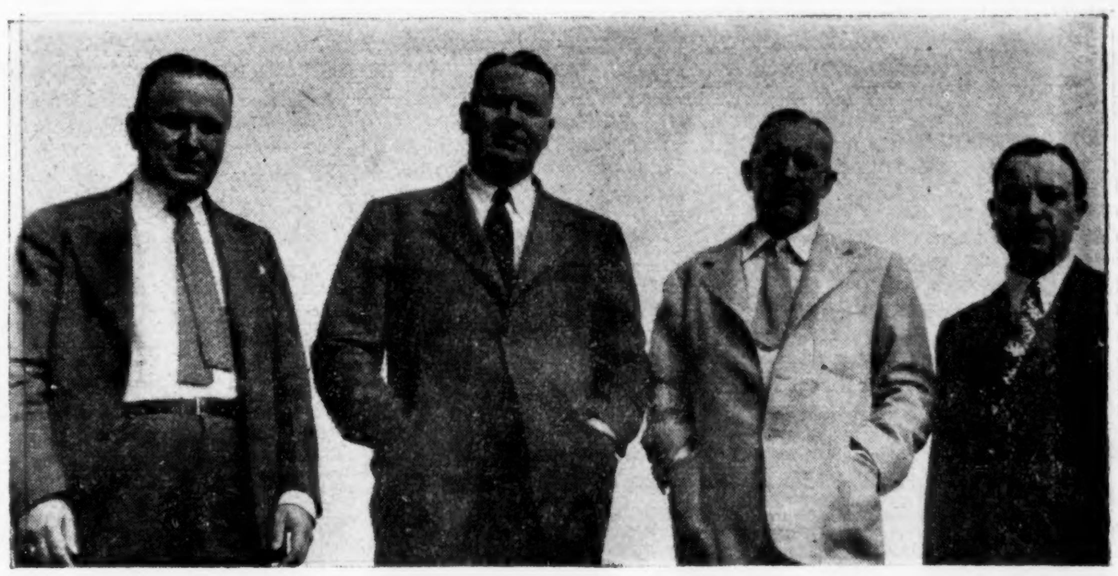


Bunny Libby and Bert Woglom, *W. H. Bell & Co., Boston.*

Joseph Robbins, *Whiting, Weeks & Stubbs*; Robert Weeks, *Coffin & Burr*; Fred Harson, *MacColl, Fraser & Co., Providence, R. I.*; Curt Townsend, *Weeden & Co.*

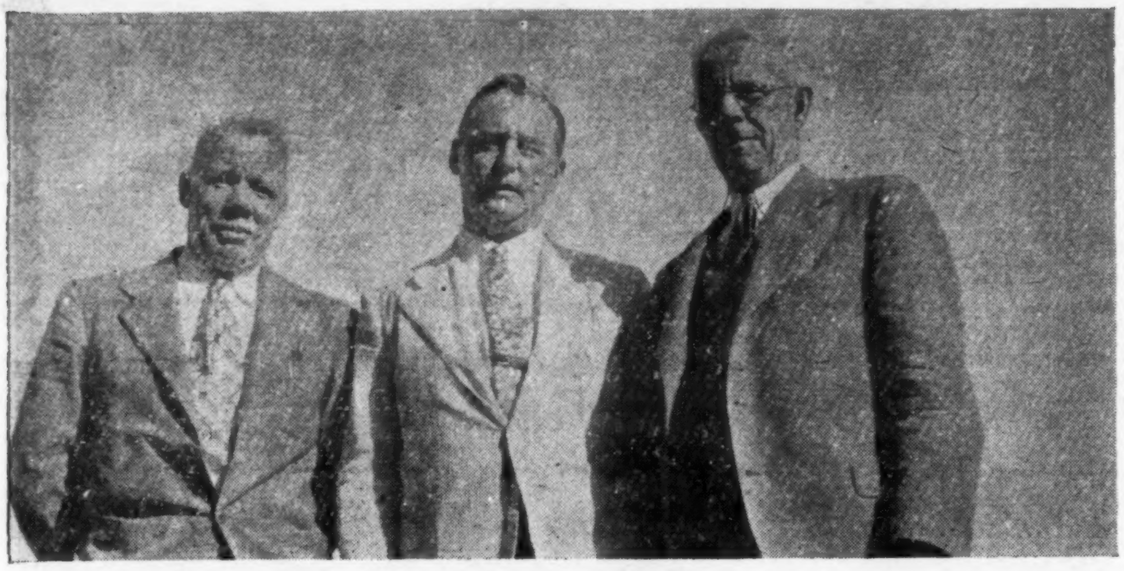
Frank Voysey, *Kidder, Peabody & Co.*; James A. Kelly, *Tifft Brothers, Springfield*; N. H. Bernard, *Schirmer, Atherton & Co.*; Carroll Williams, *Laird, Bissell & Meeds, New York City.*

Nicholas Lamont and John McCue, *May & Gannon.*

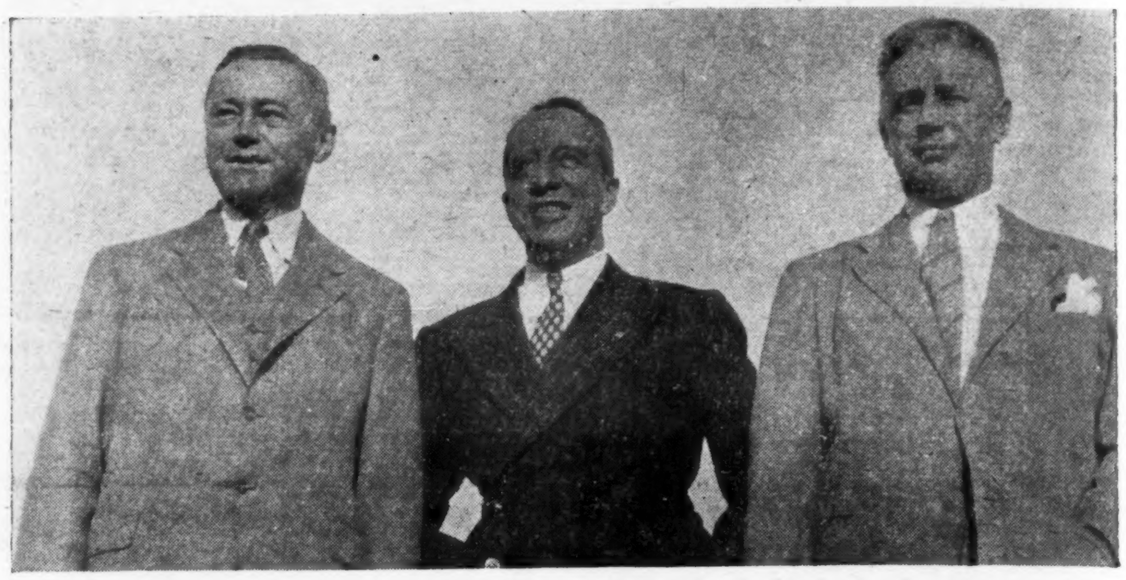


Phillip F. Kenney, *E. M. Newton & Co.*; Vin Spellman, *Frederick C. Adams & Co.*; Pat Carr, *Frederick C. Adams & Co.*; Joseph M. Rinaldi, *Lerner & Co.*

June 20th Outing was Big Event

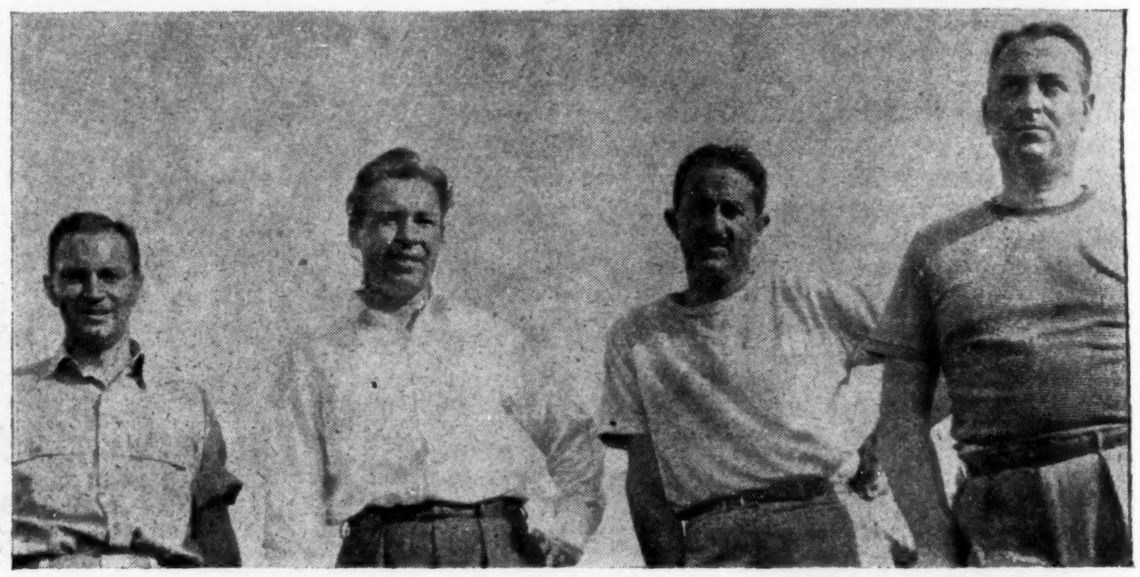


Emil Kumin, *Estabrook & Co.*; Dayton Haigney, *Dayton Haigney & Co.*; Harry Gilman, *Estabrook & Co.*



Al Crampton, *Weeden & Co.*; Harry Welsh, *Lilley & Co., Philadelphia;* Tim Murphy, *Chace, Whiteside & Warren, Inc.*

Herb Smith, *Bluth & Co., Inc.*; John Maguire, *May & Gannon;* Russ Dean and John Sullivan of *F. L. Putnam & Co., Inc.*



Arthur D. Noble, J. *Arthur Warner & Co.*; E. J. Ryall, C. J. *Devine & Co.*; R. T. Hixon, *Hooper-Kimball & Co.*; Speed Hughes, J. *Arthur Warner & Co.*

James E. Lynch, *W. F. Rutter, Inc.*; Carl Levine, *R. H. Johnson & Co.*; Gilbert Lathrop, *W. E. Hutton & Co.*

Clement Diamond, *Townsend, Dabney & Tyson;* Lee Hallett, *Draper, Sears & Co.;* Wesley Patnode, *Townsend, Dabney & Tyson.*

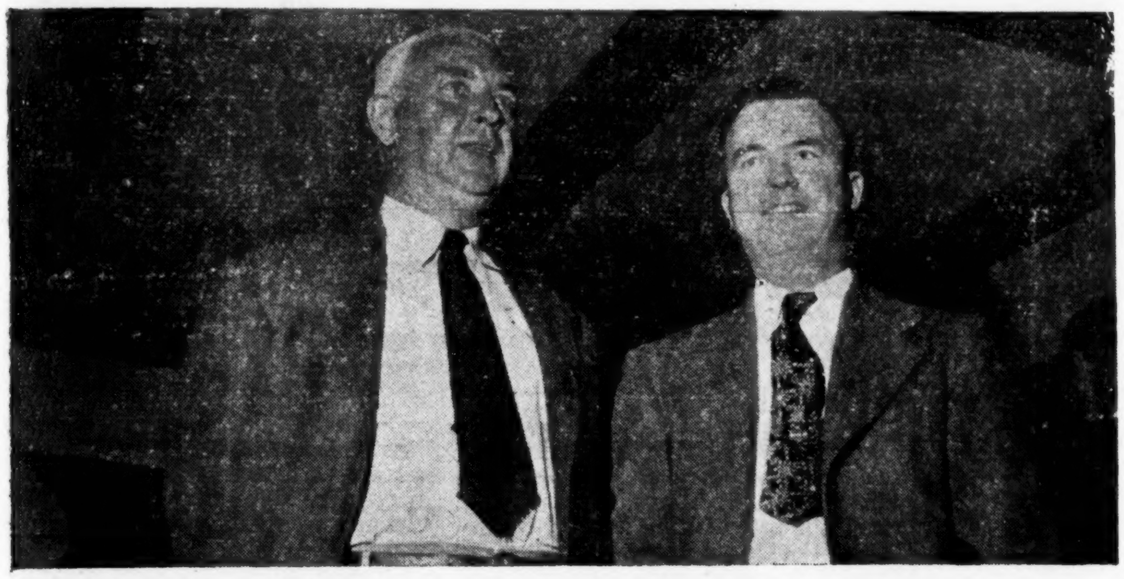
Leon Day and Wilfred Day, of *Chas. A. Day & Co.*

F. E. Maguire, *Stroud & Co.*; Herb Smith, *Blyth & Co.*

For Guest and Members on Pleasure Bent

Ralph Carr, *Ralph F. Carr & Co.;* Fred Wright, *F. J. Wright & Co.*

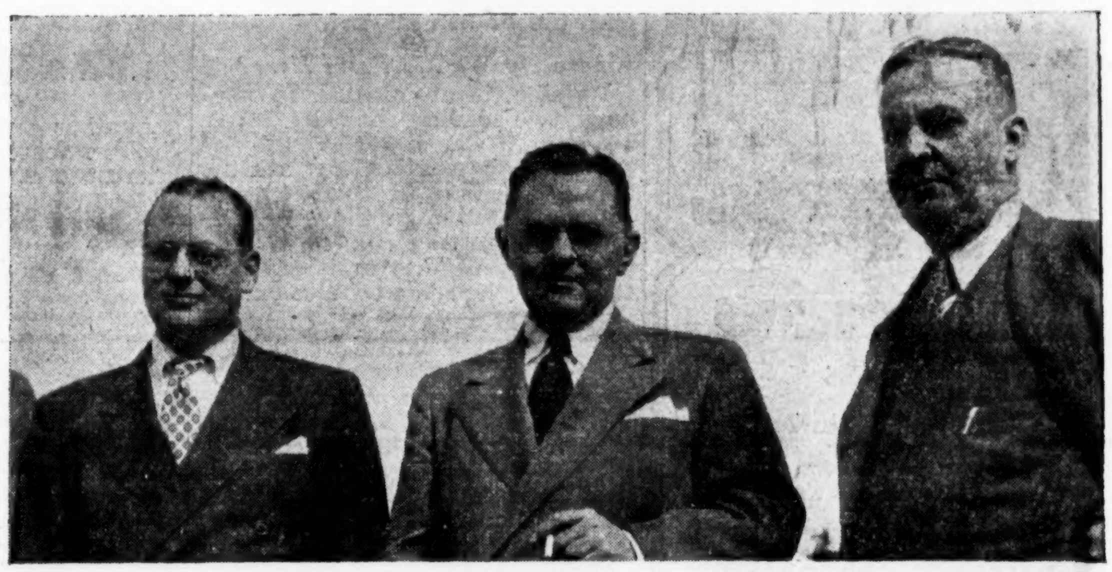
James E. Moynihan, *E. H. Rollins & Sons;* William Burke, *May & Gannon;* Paul Toschi, *Kidder, Peabody & Co.*



Harry Crockett, *Coffin & Burr;* Benjamin Bailey, *Dayton Haigney & Co.*

Clifford H. Marshall, *Josephthal & Co.;* Wallace Mossop, *Barrett & Co., Providence, R. I.*

John W. Shea, *Mixter & Co.;* John L. Shea, *Shea & Co.;* Dick Grimm, *du Pont, Homsey Co.;* Francis Casey, *Mixter & Co.*



King Ghegan, *Ira Haupt & Co.;* Jack Carr, *Ira Haupt & Co.;* Charlie Smith, *Moors & Cabot.*

Baseball Team.

Frank Ward, *H. C. Wainwright & Co.;* Bob Ingalls, *Tucker, Anthony & Co.;* Dick Max, *H. C. Wainwright & Co.*

Mutual Funds

Steel and Building Supply Stocks

It would be a strange thing if the professional investment managements charged with the responsibility of supervising the various mutual fund portfolios were not, in the main, agreed on which stock groups represent the most attractive values. Of course, there is always some divergence of investment judgment, even among professionals. And because there are many distinct types of mutual funds, the emphasis which management places on the various types of securities varies considerably.

It is interesting to note, however, that the two leading sponsors of industry-type funds are currently stressing the values available in the "heavy" industries—the steels, building, railroad equipment, machinery and related stocks.

This week's mail brings from one of these sponsors, **Hugh W. Long & Co.**, two handsome folders emphasizing the current values in the steel and building stocks. Regarding the steel stocks, the Long Co. states categorically: "If the anticipated period of great industrial activity is to occur, **two decades of investment experience** suggest higher prices for Steel Industry Shares."

In the Long Co. folder on the Building Industry the conclusion is reached that: "All evidence points to higher earnings for building supply companies for years to come."

International Inflation

Keystone Co.'s current Keynotes charts our Dow-Jones Industrial Stock Average against that of industrial stocks in the London market from the beginning of 1929 to date. The bulletin points out that stock prices in London have advanced farther than here during the present bull market. Also, London stocks are now some distance above their 1929 highs, while American stocks are only 56% of their 1926 highs.

"In the face of the fact that a Socialist Government is in power in Britain, the London market has continued to advance.

"Strong inflationary forces have been at work in both countries—a greatly increased supply of money, Government deficits, low interest rates and sharply increased commodity prices. These factors have been sufficient to push up common stock prices in Britain in spite of the cloudy outlook for capital under a Socialist government.

"Considering the far more favorable outlook for industry in this country, American stocks do not appear inflated by comparison with the British market."

Where Do We Go From Here?

By significant coincidence, perhaps, two leading sponsors, **W. L. Morgan & Co.** and **National Securities & Research Corp.**, ask the above question in their current releases. Although they use different supporting data in making their analyses, they arrive at substantially the same conclusion.

W. L. Morgan & Co. compares the current "earnings" of the Dow-Jones Industrial Average with past earnings and with prospective earnings for next year. On next year's estimated earnings of $13 to $15 per share, using price-earnings ratios of 15 to 17 times, the Average indicates a projected range of 195 to 255. In addition, the following interesting yield comparisons are made:

"Dividends on the stocks in the Average amounted to about 70% of earnings for the past ten years. Dividends of 70% of possible 1947 earnings of $13 and $15 would be $9.10 and $10.50 respectively. Dividends of $9.10 for the Average would yield 4% at 227 and dividends of $10.50 would yield 4% at 263. The current yield on the Average is 3.3%."

National Securities & Reasearch Corp., in its current Investment Timing service surveys 1946 corporate earnings possibilities and predicts that they will be 5% higher on average than last year. In a separate memorandum the outlook for stock prices is analyzed. After pointing to a host of "usually very dependable signposts" which would indicate that the current bull market has a few more years of "life," this sponsor concludes as follows:

"If more were needed, we might point to the fact that there are hardly any inventories to speak of and very little private debt outstanding. True, a few deflationary factors do exist but one can hardly contend that they outweigh the inflationary factors. It has been the conviction of the Economics & Investment Dept. of **National Securities and Research Corporation** that the major indices still point upward!"

More About the Steels

Distributors Group, in a current Steel News, quotes the "Wall Street Journal" on the current shortage of steel for autos. To the quoted material, this sponsor adds:

"As far back as mid-1944, when even the steel industry itself was fearful of its overcapacity after the war, and when steel stocks were lagging because of this general impression, we advised you that for several postwar years steel demand would require close to capacity operation. We understated.

"Leading steel stocks have not yet reflected full public realization of the **shortage** of this basic material. At present prices they are still sharply undervalued."

* * *

Another recent Distributors Group release which should be of interest to many is a revised folder showing the "Advantages of Profits over Income." It contains a table setting forth the tax advantages of profits over income in various income brackets.

New High for Lord-Abbett

Walter Scott reports in the current issue of Abstracts that assets of the **Lord-Abbett** group of Investing Companies now are at a new high—above the $90 million mark. As of May 31, they were **$92,426,966.**

In a current Investment Bulletin on **Union Common Stock Fund,** this sponsor points to the regularity of the summer "seasonal" in stock prices.

"Seasonal factors will be in the market's favor over the next several months. Notwithstanding widely varying conditions from year to year, there have been few exceptions to the summer rise in stock prices. The stock averages in July and August have surpassed the previous May closing levels in each of the past 15 years, in 19 of the past 20 years, and in 42 of the past 49 years."

Commonwealth

In a new folder the sponsor of **Commonwealth Investment Co.** charts the performance of this fund against the averages year-by-year over a 13-year period. In 11 out of the 13 years Commonwealth outperformed the averages. "This record points to the advantage over a period of years of using the tool of diversification with professional management."

To Have and to Hold

Knickerbocker Distributors, sponsors of **Knickerbocker Shares,** have just published a most attractive little booklet entitled, "To Have and to Hold." It discusses the problems of investing and suggests a solution in language and with the aid of charts which any layman can understand.

1,364 to 1

Some odds! But that's what they are—theoretical of course—if you use the wrong method as against the right method in investing. For the full answer get hold of a copy of **Hugh W. Long & Co.'s** brochure, "A Thirty Year Bull Market."

Massachusetts Investors Second Fund—Reports total net assets of $17,880,516 on May 31, 1946, equal to $18.53 per share. This represents a gain of $5,379,824 in total net assets and a rise of 41.8% in net asset value per share from the figures on May 31 of last year, when net assets of $12,500,692 amounted to $13.06 per share.

Mutual Fund Literature

Calvin Bullock — A new folder and memorandum on **Aeronautical Securities . . . Hares Ltd.**—Current issue of Investment Considerations analyzing bank stocks. . . . **National Securities & Research Corp.**—Current issue of National Notes discussing "Trading versus Investing"; Revised folder on Industrial Stock Series. . . .

Dividends

Incorporated Investors—A dividend of 20 cents per share payable July 31, 1946 to shareholders of record June 27.

What Are "Appropriate Monetary Measures"?

(Continued from page 3470)

follow that these economic desiderata can be a guide for monetary action.

The level of production and employment rises and falls characteristically in the urban rather than the rural field of activity. In agriculture the changes involved are those of prices and wages. During the late lamented thirties the "social gains" of the New Deal, in perhaps unwitting parallel with Soviet policies during the same period in trying to build up urban industries, so neglected the rural "proletariat" as to produce a situation in which its wage level was relatively the lowest in American history.

Upon this depressed farm wage was erected the "cost of living index" which is still the objective of the OPA's struggle to "hold the line." Naturally enough, the "farm bloc" is increasingly bitter in its opposition to measures which undertake to control, not inflation, but rather a price for the cost of living that was so established as to reduce the factory wage earner's expenditure for food to the lowest on record, only 20% of his income!

The plea which the farm organizations can and should make is that they are not "seeking the right solutions by . . . any narrow consideration of our individual interests" in protesting such pricing policies as would restore the prewar situation. But the trouble is that they are not doing that. Instead they propose only the ancient and illusory devices of government subsidizing and pegging of incomes and prices in agriculture. This they are able to justify, alas, by the fact that the policies of the New Deal were predicated on just such "social gains" for the urban population, that is, on "full production and employment" in the urban sector at high, non-competitive wage levels. Why should agriculture be left to the tender mercies of competition in an economy which paternalizes the urban industry of the nation?

Walter Reuther put it right when he said recently on the Town Meeting of the Air that we are involved deeply in government by pressure groups. What, then, is the way out of such a situation? Can it be aught but monetary, since this is the only field in which all interests should and could meet on the same plane? In the field of government, which is supposed to serve competitive interests without prejudice, only monetary action can maintain economic stability with fairness to all. Indeed, the extent of other economic controls by government is determined largely by the inappropriateness of monetary action; and such other economic controls have much to do with making appropriate monetary action difficult if not impossible. The prime objective of monetary control should be to minimize other government controls and so eliminate government by pressure groups. "That government is best which governs least."

Production Retarded by Inflation

While it is being widely asserted that production alone is capable of preventing inflation (that we will shortly find supply catching up with demand so that controls can be removed), this statement is not accepted by students who do not exclude from their considerations the influence of monetary conditions and so know, as stated by Governor Szymczak, that economic stability, which necessarily includes prevention of inflation, can be attained **only** if monetary conditions are favorable. Moreover, insofar as production may be attainable under inflated monetary conditions, it is not the function of government to act in that field; nor is it true that, with inflated monetary conditions, the removal of price controls would assure full production and distribution activities. Rapid-

ly rising prices might easily interfere even more with the stability of relations between the urban and rural interests and their trading with each other. The fact is that when there is too much money, there is only one thing that can possibly remedy the situation, and that is, less money!

Moreover, there is just one monetary condition that the government can and should control, and that is the quantity of money, which includes—must include—the extent of bank deposits subject to check. It is these so-called "deposits" that are the chief source of inflation. During the war they have been created chiefly by the lending of "credit," so-called, to the public treasury rather than to corporate treasuries or other private accounts as is the case in time of peace.

It matters not to whom money is loaned; it does matter **by** whom it is loaned, when we are considering whether or not the result can or cannot be inflationary, that is, whether or not the loan **can** affect the supply of money. If the loan is a private loan (or investment), that is, if it be not made by a bank, it **cannot** be either inflationary or deflationary in this sense. But if it be made by a bank, it can be inflationary by increasing the quantity of money; and if made by a commercial bank it **always** is inflationary in being negotiated, and deflationary in being discharged. If banking operations are not either inflationary or deflationary, it is simply because they happen, at the moment, to balance the one against the other. But the nature of banking, as now conducted, does not preclude, as would be the case in lending confined to actual savings, the difficulty inherent in present practices. This difficulty deserves careful analysis, for (to put it in the words of Vincent Vickers' "Economic Tribulation") "it has stood, and now stands, in the way of progress and social betterment, thereby creating universal unrest and a tendency to obtain by force what cannot be obtained otherwise." It is undoubtedly the basis of the existing unrest and the tendency toward the serfdom that goes with the attempt to communize property by force and establish arbitrary incentives.

A Monetary Index

A high official of the National City Bank (see the "Chronicle," May 23, p. 2781) recently reiterated what seems peculiarly difficult to establish in the public mind (even the educated public does not comprehend the source of inflation in banking operations), namely, that whatever the symptoms may be, the **source** of inflation is **too much money.** The question arises, then, how are we to know when there is too much or too little money?

The answer should be obvious: When there exists the pressure for rising prices that is the occasion for attempts at price control, which in the long run have invariably failed of their objective, then there is too much money, and all the raving of the CIO about inflation control by OPA (without crippling amendment) cannot make such legislation effective. When there exists a pressure for falling prices that becomes the occasion for equally futile attempts at restricting production by laws compelling shorter working hours, plowing up cotton, and killing little pigs or dumping food supplies in the sea or on "foreign markets," then there is too little money.

The criterion or indicator for monetary action is therefore the level of prices, in some sense or other; and everything that the government does to try to control prices or wages by laws which interfere directly with production or employment, can only have the effect of postponing the evil day of reckoning with monetary conditions. It may even make that reckoning impossible by suppressing the normal indicator of monetary excess and defiency, to wit, rising and falling prices. This indicator or price index is to be found in a moving average of staple crop prices in principal markets.

It is not to be expected that urban wages, employment, or production will remain competitively determined and therefore be a valid index of monetary needs, while the conditions of employment and living costs are being determined by labor unions and the laws governing their "bargaining" in a way that necessarily abrogates the effect of supply and demand. The effect of such wage negotiations is to put a floor, but not a ceiling, on the wage level. Organized labor cannot, under unstable monetary conditions, accept the results of depression on wage levels competitively determined by a great excess of labor supply; nor can they accept the similar results of over-financing (by bank credit issued against "sound" collateral) the construction of labor-saving machinery, which results in excessive and uneconomic competition for both labor and capital in their existing employment; such competition, financed by "forced saving," causes wasteful obsolescence and unemployment.

"Forced Saving" and Investment

This is the very essence of the difficulty in the "capitalist economy." It is not the fact of private property or profit but the fact of investments promoted by extensions of bank credit, or forced saving, that makes trouble by failing to put the brakes on developments that have any advantage at all over existing industry, regardless of whether such industry may have had time to develop the savings needed to amortize the increasingly heavy investment in highly durable capital assets.

The Russian or socialistic scheme for preventing the "crises" developed by forced saving, with its peacetime tendency toward chronic deflationary conditions, is to openly employ such a scheme for financing investments and to deal with its results by government ownership and "planning" as advocated by such a doctrinaire as Oscar Lange in his writings as an American citizen while a professor of economics in several of our colleges. The resulting, chronic inflationary developments require constant, autocratic controls (like our OPA) that are so futile as to result in an iron curtain of suppression and secrecy to conceal from the public the injustice and cruelties which are sure to result. The proper alternative for removing the difficulties involved in forced saving is to stop forced saving altogether and confine all loans and investments within the existing money supply as actually earned and saved.

The theory behind the Russian procedure is the result of the thinking of technicians and other erudite groups who have no idea whatever of the facts of finance as now organized. There are some notable exceptions, such as that of Dr. Frederick Soddy, Nobel prizewinner in chemistry in England, who happened to get some idea of what these problems involve and has become all but *persona non grata* among his confreres in the physical sciences because of his failure to go along with them in their opposition to laissez faire while they have reserved to themselves their predilection for what he has called a "conspiracy of silence" on monetary problems. Their naive and ardent opposition to free enterprise is exemplified in such a book as that sponsored by a group of British scientists headed by Professor Bernal, entitled "The Frustration of Science," in which the postponement of utilization of inventions was condemned as the result of unwarranted monopoly, when in truth the difficulty of the situation rests, as Lord Stamp pointed out to them, in the fact that inventions can be and are often developed so as to create untimely obsolescence and unemployment.

With all their shouting and tumult over keeping up employment and purchasing power, would the UAW-CIO undertake to stop such premature innovations in the interest of stability? On the contrary, the thesis of their case against General Motors was that "ability to pay" must be prodded even to the point of supervising the corporation's management lest they "go to seed" in their understanding of "modern production techniques" and keep "their plant equipment antiquated." In their Marxian utopianism the labor leaders have today forgotten all about technological unemployment and are assailing, perhaps unwittingly, the very citadels of private property.

There is nothing wrong with private monopoly within competitive industry. It is deliberately established by land tenure and by patent laws. It develops also by way of secrecy in some instances where that is of greater advantage to the inventor than a patent. Instead of producing prosperity, however, the financing of new industries prematurely by bank credit, because it will afford "sound" collateral to do so, is the very source of our troubles with instability. Returns should be confined to those who do the saving except as new capital values may accrue from inventions. However, the benefit of invention (capital gain) cannot accrue without reference to existing techniques. As long as the displaced equipment can be sufficiently maintained in competition to bring in the savings (out of depreciation allowances) necessary to displace it with new equipment, the latter cannot be economically introduced. The degree of its obsolescence determines the capital loss involved in keeping old equipment in competition with the new idea as long as it can pay interest on any residual value that can be sustained by replacement costs that do not exceed the reduced cost-income ratio set up by the new invention.

Conclusion

All these complicated involvements and evanescent values that are involved in urban industry unfits its condition or price structure as an indicator of monetary needs. But there remains a sensitive and competent index of monetary conditions in the inexorably competitive field of agricultural staples or food supply, provided the price structure is neither controlled by a price administration (an OPA) on the one hand (inflation), or by an agricultural "adjustment" administration (AAA, CCC, etc., etc.) with its government restraints on production or marketing, on the other hand (deflation).

It is therefore not possible to conduct appropriate monetary action when prices are being pegged by government interference with production and marketing, especially in the field of staple food crops. If government action is not **confined** to the monetary field in its effort to create favorable economic conditions for agriculture, the result can only be that the appropriate criteria for monetary action will be lacking and there can be no economic stability for any industry.

May Cotton Consumption

The Census Bureau at Washington on June 18 issued its report showing cotton consumed in the United States, cotton on hand and active cotton spindles in the month of May.

In the month of May, 1946, cotton consumed amounted to 871,559 bales of lint and 84,830 bales of linters, as compared with 813,732 bales of lint and 89,442 bales of linters in April and 830,414 bales of lint and 130,693 bales of linters in May, 1945.

In the 10 months ending May 31 cotton consumption was 7,643,441 bales of lint and 874,352 bales of linters, which compares with 8,109,014 bales of lint and 1,258,475 bales of linters in the corresponding period a year ago.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Proposals by the Federal Reserve Board calling for revolutionary controls over the banking system, heavy retirement of Government bonds, which sharply reduced excess reserves, coupled with a jittery and uncertain equity market, had no appreciable effects on the Government securities market, which continues firm with price changes limited in scope. . . . While there is still a tendency toward caution and hesitation among some purchasers, there has been no disposition yet on the part of the so-called speculative holders of Government bonds to hit bids or let out sizable amounts of their positions because of fear of lower prices. . . .

When there has been a minor shading of prices volume has declined and support has come in the market, indicating that the technical position of the market is favorable. . . . It should continue to improve. . . . For the immediate future it is expected that the Government bond market will continue within a trading range, as securities move from weak to strong positions. . . .

BUYING OPPORTUNITIES

The digestion of securities that were not properly distributed during the Victory Loan, is affording investors an opportunity to acquire obligations at prices that give a satisfactory income. . . . This has been and still can be done through scale buying with sizable purchases in order, if there should be periods of weakness. . . . It should be borne in mind that in the not too distant future, when the bulk of the overhanging supply has been taken out of the market, it may not be possible to acquire securities at as favorable levels as have been prevailing. . . .

EXCESS RESERVES AT LOW POINT

The retirement of the 3s and 3⅛s on June 15, reduced excess reserves by $220,000,000 to $550,000,000, the lowest level since 1933. . . . This condition, however, is expected to be temporary. . . . The New York City member banks were the largest losers of these securities, with $553,000,000 being retired, which brought the bond holdings of these institutions down to $9,292,000,000, or about to the levels of March 20, when they amounted to $9,302,000,000. . . . Following the retirement of the 3¾s on March 15, the New York City institutions became consistent buyers of Government bonds, which carried their positions in these obligations to all-time highs on June 12, of $9,845,000,000. . . .

It will be interesting to see if there will be a reestablishing of this trend toward the long-term, higher coupon obligations, by these banks, as there was following the March 15 bond retirement. . . .

THE RESERVE BOARD CREDIT PROPOSALS

Proposals submitted by the Federal Reserve Board to the Congress call for a drastic change in controls of credit through greatly enlarged regulations of the commercial banks. . . . Admittedly unwilling to allow any increase in interest costs to the Government, because of the tremendous size of the debt and attendant large debt service, the Board puts forth recommendations that call for greater regimentation of the nation's banks, which could be the first step in a change in our form of Government. . . . Absolute control over, and the direction of credit, embody the power to destroy. . . . Greater controls over the banking system mean enlarged power over business and industry which is what has taken place in nations that do not profess to use the democratic system. . . .

INTEREST RATES UNCHANGED

The Federal Reserve Board, because of the indicated need to keep interest rates low, has decided to abandon interest rate changes as a method of credit control in favor of the greater powers that ould be obtained, through direct control over security purchases of ommercial banks. . . . Certificates of indebtedness will be main-ined at ⅞% and so long as that is done, the commercial banks are a position to sell these securities to the Central Banks and use proceeds to buy longer-term higher coupon issues. . . . To prevent s the Board wants control over banks' security purchases. . . .

A rise in the certificate rate of, say, ⅜%, would increase the debt burden, but it might be much better to pay this increased debt cost, and continue with our present system, rather than have the mistake-ridden monetary authorities push us into something that would be much worse than we have been through yet. . . .

HIGHER BANK EARNINGS TABOO

There is no assurance that new Federal controls over commercial bank security purchases would be effective in halting credit expansion, because if other types of assets were expanded, there would be no decrease in the amount of credit. . . . The asked for power to increase reserve requirements within specific limits and to make it uniform for all banks is no doubt for the purpose of regulating other assets. . . . There is still doubt that this would be more effective than somewhat higher short-term rates. . . . There is one thing sure, the Board does not want anything that would increase bank earnings under any conditions. . . .

PREVIOUS FAILURE

The proposal to limit the amount of long-term securities that could be held by the commercial banks against demand deposits, seems to be an admission of failure on the part of the monetary authorities to control the sale of eligible bonds by non-bank holders. . . . These new powers, it is claimed, would prevent the continued monetization of the debt, which would result from the sale of eligible bonds to the deposit institutions. . . . Would not larger holdings by the commercial banks of bills and certificates, (in place of bonds) which would be acquired from Federal or non-bank investors, be only a shift in positions, and not demonetization of debt?

QUESTIONS

Who would be the buyers of the longer-term obligations that would have to be sold by the commercial banks under the proposed new regulations? . . . Would the Central Banks buy these obligations and thus supply reserves to the banks, and then immediately increase reserve requirements to offset the new reserves created by this operation? . . . At what levels would non-bank investors be attracted to the bonds that would be sold by the deposit banks? . . .

Would not the Government bond market be pretty much in a demoralized state if the commercial banks were eliminated as buyers, not to mention the fact that they would be sellers of longer-term securities? . . . Would not a dropping bond market be likely to cause liquidation of individual holdings of both marketable and non-marketable issues? . . . Would an uncertain Government bond market be conducive to refunding operations, that would be needed to transfer debt from the bands to non-bank investors? . . .

BANK NATIONALIZATION THREAT

The recommendations that have been made by the Federal Reserve Board to the Congress contain a number of drastic proposals, as well as features of the 100% Reserve Plan. Untried revolutionary ideas such as those embodied in this report could inject new major disturbances into our financial and economic system and curtail the services that the banks render to business, the public and the Government, which might exaggerate rather than prevent business fluctuations. . . .

These disturbances could bring about demands for nationalizations of the banks, in order to undo the harm caused by the adoption of these proposals. . . . This could pave the way for a complete change in our form of Government. . . .

Government Bond Portfolio Management

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Too few bankers in my opinion think sufficiently clearly in terms of their Secondary Reserve Account and their Investment Account. There is a tendency to lump all investments together. Nothing belongs in the Secondary Reserve Account but high-grade securities maturing within two years, bankers' acceptances and prime commercial paper. All other investments should be held in the Investment Account.

With the quality and maturity of Secondary Reserves so limited the size of the account is all-important. If it is too large it will penalize income over the years. If it is too small it may force borrowings in amounts or for periods of time which management may not desire or, as an alternative, the liquidation of intermediate or long-term securities when markets are depressed.

In the case of the Investment Account, to the extent it is limited to United States Government securities, the maturity distribution is of prime importance. If it is too short, in periods of rising or continued high prices income is likely to suffer over the years and reinvestments be forced at high prices, with perhaps an undesired lengthening of maturity at inopportune times due to pressure for income. If it is too long, in periods of declining prices, or continued low prices, future income is likely to be penalized as the result of inability to lengthen maturities without accepting large losses when such lengthening could otherwise be effected to advantage.

Secondary Reserve Account

As previously stated the size of the Secondary Reserve Account is all important. Remember its function is to provide funds from investments to meet declines in deposits and increases in loans. So the first steps to be taken are to appraise deposit and loan movements. This undertaking will be greatly facilitated by the use of charts showing past deposit and loan movements as reported by the Federal Reserve Board and your Federal Reserve Bank and as shown by your own records.

The deposit appraisal should start with at least a ten-year record of the deposits of all commercial banks, the reporting member banks of your district and your own bank. Past relationships between all three should be carefully noted.

Then, deposits for the next two years for all commercial banks should be projected in the light of expected changes in loans and investments, taking into consideration such factors as business conditions and the probable demand for bank credit, Treasury and Federal Reserve actions, gold and currency movements.

Next, the deposits of the reporting banks in your Federal Reserve District should be projected in conformity with the estimate for all commercial banks in the light of experience, corrected for special influences which may affect the deposits of banks in your district.

Finally, your own deposits should be projected in conformity with the estimate for the reporting banks in your Federal Reserve District, also corrected for special influences which may affect your deposits.

After having projected the movement of your own deposits for a period of two years you should then consider how much your deposits might decline if your estimates proved to be incorrect and a major decline in deposits developed which carried them to levels below those anticipated. Mark this lower level on your chart with a horizontal line and label it "Deposit Minimum."

The loan appraisal should also start with at least a ten-year record showing the loans of all commercial banks, those of the reporting member banks in your Federal Reserve District and your own bank. Again, as in the case of deposits, past relationships should be noted carefully.

The loan projection for all commercial banks, made in connection with the deposit appraisal, can be carried over here. All that remains is to project the loan figures for the reporting member banks in your Federal Reserve District and your own loan figures. This should be done with the same regard for past relationships and allowances for special influences as when making the deposit projection.

Then, on the chart for your own bank's loans draw a horizontal line at a level above which you do not estimate your loans are likely to advance within the next two years and label that line "Loan Maximum."

With a "Deposit Minimum" and a "Loan Maximum" so fixed, the amount of United States Government securities maturing or likely to be called within two years required in the Secondary Reserve Account at any given time may be determined by four easy steps:

1. Add the difference between current deposits and the "Deposit Minimum" to the difference between current loans and the "Loan Maximum". The total will represent the amount needed to meet possible declines in deposits and increases in loans.
2. Add to cash balances in excess of legal reserves the amount of legal reserves that would be released in the event that deposits declined from current levels to the "Deposit Minimum". This total may be described as "Actual and Potential Free Cash Balances".
3. Deduct from the amount needed to meet declines in deposits and increases in loans the "Actual and Potential Free Cash Balances." The difference will be the amount needed in Secondary Reserves.
4. Deduct from the amount needed in Secondary Reserves the total of highgrade corporate and municipal obligations maturing within two years, bankers' acceptances and prime commercial paper. The difference will be the amount of United States Government securities maturing or likely to be called within two years required for Secondary Reserves.

Appraisals of the amount needed in the Secondary Reserve Account should be made not less frequently than semi-annually.

After each appraisal, any excess of investments in the account should be liquidated and the funds used to buy securities maturing in more than two years. Any deficiency should be corrected by selling securities from the Investment Account and using the funds to increase the investments in the Secondary Reserve Account.

Between appraisals, the size of the account should reflect day-to-day operations: increasing as funds become available for investment because of the inflow of deposits or the repayment of loans, and decreasing as funds are needed from investments to meet withdrawals of deposits and increases in loans.

Investment Account

As previously stated, to the extent that securities in the Investment Account consist of United States Government obligations, maturity distribution is the matter of prime importance. It should be

arranged and modified with the objective of stabilizing or increasing income, in so far as may be, while adhering to sound investment principles.

A whole book could be written on sound investment principles but as we are here considering only bank investments in United States Government securities, they may be boiled down to these:

1. Keep a middle-of-the-road position; that is, one not predominantly long or short.
2. Stagger maturities in so far as may be without undue penalty to income, bearing in mind that the importance of having issues maturing in each successive year diminishes as the date of maturity is lengthened.
3. Hold nothing with a maturity longer than is entirely acceptable to management and which cannot be retained to maturity regardless of subsequent price movements. If longer term issues are held than management feels comfortable with, or than can be held to maturity regardless of subsequent price movements, there is always the likelihood that they will be sold on a temporary price decline.
4. Avoid taking profits merely to take profits.
5. Use advances in the market to shorten maturities as may seem desirable.
6. Use declines in the market, in so far as posible, to make desirable extensions of maturity.

Within this framework of sound basic investment principles, what are desirable maturity distributions? Where no special circumstances dictate otherwise, the answer depends largely on the outlook for interest rates.

When the outlook is for the continuation of an existing level of interest rates, or there is considerable uncertainty as to how rates may move, it is suggested that approximately equal dollar amounts of the securities held in the Investment Account be in issues maturing in two to five and in five to ten years, with the total of obligations maturing in more than ten years — i.e., bonds maturing in more than ten years, plus mortgages maturing in more than ten years, plus any loans maturing in more than ten years, together with real estate—not more than capital funds or one-third of time deposits. When the outlook is for declining interest rates and rising bond prices it is suggested that investments in the five to ten year maturity group exceed the amount in the two to five year group, with the total of obligations maturing in more than ten years — bonds, mortgages and loans — together with real estate, not more than one and one-quarter times capital funds or one-half of time deposits.

When the outlook is for rising interest rates and declining bond prices it is suggested that investments in the two to five year maturity group exceed those in the five to ten year maturity group, and those maturing in more than ten years be reduced to the practical minimum.

Outlook for Deposits and Loans and Interest Rates

Up to this point I have tried to deal in fundamentals, good for yesterday, today and tomorrow. What I have to say from this point on reflects appraisals of future developments that, in some respects, will certainly have to be revised, perhaps often, in the light of subsequent developments. However, they are suggestive and pertinent to the discussion and I hope will prove helpful in some measure. They have to do with the outlook for Deposits, Loans and Interest Rates.

Deposits and Loans for All Commercial Banks

Deposits: If the Treasury, during the balance of the year, continues to draw down its War Loan Account at the recent rate to retire debt, it is currently estimated that total deposits for all commercial banks, which stood at $150 billions on December 31, 1945, will decline in 1946 by about $22 billions, and in the next two years rise about $3 billions.

Loans: It is currently estimated that total loans for all commercial banks, which stood at $26 billions on December 31, 1945, will show a net decline of about $1 billion in 1946 (due to the prospective decline in securities loans being greater than the anticipated increase in commercial loans) and in the next two years rise about $5 billions.

These estimates are based on the following assumptions:

1. That the volume of business and trade will probably expand in 1946, 1947 and 1948.
2. That the Federal budget will be about in balance for the calendar years 1946, 1947 and 1948 and may provide some surplus, which together with Treasury cash balances and funds from Government agencies and trust funds available for investment in Government securities, will be used to retire short-term Treasury debt. Since most of this debt is held by the banks its retirement will be reflected in a reduction in deposits and security portfolios of banks.
3. That changes in deposits will reflect only changes in bank loans and investments, after adjustment for required reserves.

Outlook for Interest Rates

When it comes to appraising the outlook for interest rates most bankers must of necessity limit their efforts to following current discussions and checking with those whose opinions they value. Indeed, in a managed money economy such as ours, where the acts of a few officials can have such far-reaching effects, few bankers can do much more. Estimates can be made of the supply and demand for money, but the future acts of men cannot be reduced to figures.

What I have in mind can be best illustrated by stating my own views as to the outlook for interest rates. I think they will be determined by five factors: the supply of money, the demand for money, policies of our monetary authorities, competition among those with funds to employ, and the degreee of optimism or pessimism felt by lenders and investors as to the degree of risk assumed.

In considering the supply of money we must take nito account not only the actual but the potential supply.

The actual supply in the hands of the people, that is currency in circulation and bank deposits, exclusive of Treasury and interbank balances, is apparently far in excess of the business needs of the country. It has been estimated that if today we need approximately the same number of dollars in relation to the volume of business as in the last period of relatively high industrial production under peacetime conditions namely the twenties, then the money supply in the hands of the people is nearly $50 billions in excess of legitimate business needs.

The potential money supply is enormous. It is represented largely by United States Government securities held by commercial banks and others. When such securities are sold and purchased by Reserve Banks they give rise to reserve funds which flow to commercial banks and allow them to expand deposits by some multiple, depending upon the existing ratios of legal reserves to deposits. Currently, such ratios for the country as a whole permit of an expansion in demand deposits by about six times the amount of reserve funds created.

Barring some rise in prices of a character not foreseen, there is nothing to indicate that the business needs of the country will exceed the present supply of money for a long time to come. If it should, or, when it does, the potential supply in the form of United States Government securities in the hands of the banks alone will probably be many times that required to obtain the reserves needed to meet all demands.

Thus, from the point of view of supply and demand the outlook is for a continuation of low interest rates. But for such rates to be realized, more is necessary. Most important will be the policies of our monetary authorities. For many years they have had a low interest rate policy and that is their policy today.

In theory, of course, our monetary authorities could forthwith adopt a high rate policy and almost immediately cause rates to advance. For example, they could call for maximum reserves permitted by law and at the same time sharply raise the rediscount rate and refuse to buy United States Government secuirties to provide needed additional reserves except at prices materially below those now current.

But in practice what will they do? In the maze of arguments advanced for and against low rates there is much to be said on each side of the question worthy of serious consideration. Many of the statements made are not susceptible of proof. But this much is certain: to the extent there is an advance in interest rates, the cost of servicing the public debt will be increased and, to that extent, the need for revenue from taxes will be greater than would otherwise be the case. All things considered, it is my guess that our monetary authorities will desire to continue policies which will result in no material increase in interest rates.

Of course, if the fear of inflation gains headway it may be that some steps will be taken which will result temporarily in higher interest rates. But if they are, in my opinion, there will be a strong tendency to return to a low money rate policy as soon as possible.

As long as the supply of money exceeds the demand there will be competition among lenders and investors for outlets for their money, made keener in the case of banks where, and to the extent that, substantial deposit balances go with loans.

Optimism as to credit risks is likely to be evidenced as long as the outlook for business remains favorable and will be encouraged by hope under all conditions except those involving a rapid succession of losses.

To me this all adds up to the probability that we are likely to witness relatively low interest rates for an indefinite period ahead.

If a more definite statement were called for as to the movement of rates over the next one to two years I would say that, barring developments not now foreseen, I would expect them, as measured by the average of indicated yields on fully-taxable United States Government issues maturing in from one to ten years, not to go below the level of March 1946 or above the level of December 1944. The difference is about ½ of 1%. We are now in between these two extremes, somewhat nearer the lower than the higher level.

Conclusion

And now in conclusion, and by way of summary, I will tell you how, all things considered, I think a bank's investment portfolio should be set up today as to maturity distribution, assuming no special circumstances indicate otherwise, and treating all callable United States Government securities as maturing on their first call dates and all other callable securities as maturing when due.

The Secondary Reserve Account: Adequate investments in United States Government securities maturing within two years, with other assets deemed suitable for this Account, to meet declines in deposits and increases in loans. More specific than that I cannot be because the proper amount will vary with individual banks.

The Investment Account: Taking into consideration all securities held in the Investment Account, Government, municipal and corporate, the total of issues maturing in two to five years should approximate the total of issues maturing in five to ten years, with the total of all obligations maturing in more than ten years — bonds, mortgages and loans — together with real estate, not more than capital funds or one-third of time deposits.

How Should Bankers View Common Stocks?

(Continued from first page)

determine whether or not a loan is good. Will it be serviced promptly? Will it be paid when due? Thinking in these terms makes you acquire definite mental habits and organize yourselves to your environment.

Bankers' Prejudice Against Ownership

You are even prejudiced against equities, ownership, or stocks. Usually your banks are never anything but involuntary investors in ownership. You own a business, a piece of real estate, or goods and chattels, only because some creditor defaulted on a loan. Ownership is not your business, and you try as quickly as possible to dispose of the equities you acquire. You want only to get your money back, to avoid loss. Equity ownership for a bank is an unwelcome problem of salvage and liquidation.

Knowledge of Equities Required

Yet, to be good bankers, you must know a lot about equities. In the first place, the value of the equity, and its soundness, often determines the quality of the loan to make in the general course of business. A loan without an equity, theoretically at least, is not a sound credit. When you fool with one you play by ear. In the judgment of bonds, according to time-worn custom and practice, the value of the equity always is a prime consideration.

Secondly, every one of you, at some time or another, is consulted by clients regarding the advisability of buying an equity. It may be real estate, a business, or a stock. The purchase may be for the account of an individual, or for the account of an institution, or a trust. You may be consulted by a trustee acting in a fiduciary capacity, or you may be performing an outside fiduciary function yourself.

Third, both in the case of portfolios where your bank acts as trustee and in instances where you have been honored with responsibility as a manager or a consultant in the handling of non-bank and non-trustee investment funds, as well as in those capacities of an actual individual trustee of other people's money, you constantly are being pressed to produce more income than can be obtained under present conditions from bonds and mortgages. Common stocks often are suggested as vehicles from which better yield may be obtained. You must be able to pass on them with a high degree of intelligence.

You must have a much better working knowledge of common stocks than I need to have a working knowledge of bonds and mortgages. After all, as a common stock specialist, I always have bonds experts at my beck and call—right in my office in fact. You do not always have a specialist in common stocks at your elbow. You have to be "on your own" in a field foreign to your routine daily experience.

Finally, the customers of your banks expect to be able to come to you with all their financial problems, and, in this day and age at least, a considerable percentage of more important bank depositors are investors and speculators in shares of American industry, American utilities and American railroads. They want to talk to you about their commitments, and unconsciously and perhaps even unfairly, they expect you to be able to help them. In fact, you unquestionably gain or lose caste as a banker in the eyes of your depositors through the manner in which you handle inquiries on the investment problems of customers, friends and associates.

In approaching the problem of investments in common stocks at this time, it is unnecessary and it would be presumptuous for me to enter into any elementary discussion concerning the nature of commitments in equities. You know the advantages and the pitfalls, and you understand the essential differences between a bond and a stock. I want to be helpful and practical, and I hope this address will be a contribution to contemporary investment thought. I shall try, therefore, to cover some of the ground I feel would like to explore.

Pitfalls

To begin with, let me remind you that there is something perverse about the attitude of most people toward all kinds of equities, whether real estate, going enterprises, or shares. No one wants to buy them when they are cheap and should be bought. Everyone wants to buy them when they are high and in many cases, should be sold. Mass psychology toward investments in ownership goes to absurd extremes, and even those of us who are supposed to be of above-average intelligence in judging shares often are swept along with it.

I said I would not bore you with an elementary discourse on the nature of equities. To clear the atmosphere for the points I wish to make, however, it is necessary to recall the essential economic nature of any common stock commitment.

Just as bonds, notes and mortgages are investments in debt common stocks are investments in proprietorship. The investor in bonds, notes or mortgages is by nature a banker. The investor in common stocks is by nature an entrepreneur — a taker of risks.

Because of the entrepreneurial nature of a common stock risk, some rather obvious things should be kept in mind, not only by bankers, but by all who invest, or contemplate investment in them.

Investment Maxims

First, there must be a profit compensation for taking risks. When a stock yields no more profit and incomes than a bond, there is no object in owning it.

Second, the outlook for any active risk, or the prospect for any entrepreneurial venture, changes from day to day and from week to week. For this reason, the market appraisal of a common stock investment is sure to fluctuate widely. If the investment is in a listed common stock with a good market, it always can be sold — but you cannot always get your money back in exactly the same amount. The much boasted liquidity of stocks is qualitative, not quantitative.

Third, in making a loan, or in buying a bond, a banker can study his risk in advance and then forget about it, but in investing in common stocks or other entrepreneurial ventures, it is necessary at all times during the life of the investment to follow every development closely. Common stocks are not to be bought and forgotten.

Fourth, there should be a compelling, positive reason for making every common stock investment. From the standpoint of trustee funds at least, there should be a reason for buying a common stock instead of a bond. The reason be higher yield, a hedge against depreciation in the value of principal in an inflationary period, or desire for capital enhancement. Equally important, there ought to be a reason for buying each particular common stock. There should be a positive reason for making the specific purchase. There should be something outstandingly desirable about it. You can buy a bond or make a loan because the risk is not a bad one, but you buy a stock for a positive, **not a** negative reason.

Fifth, and I harly need to mention this at a gathering of bankers, where a high degree of liquidity is essential in any fund, the percentage of common stocks held must be kept within limits. This is germane, I think, in the case of certain trust funds. It certainly is highly important from the standpoint of any insurance company, or from the point of view of a savings bank, if savings banks under the "prudent man" rule are to be allowed to own certain types of common stocks.

Coming down out of the stratosphere of theory and abstractions to the field of actual experience, look at the preformance of a few of the highest grade listed stocks in recent years. I think you will be a bit shocked to see what has happened to the prices for a few "blue chips" since the beginning of 1938 — over a period of 8½ years.

Even "Blue Chips" Have Fluctuated Widely

Take a good issue like American Telephone, a stock which has paid dividends in every year since 1881, and distributed $9.00 per annum like clockwork since 1920. Here is an issue owned, I suppose, by more widows and orphans, school teachers and ministers, trust funds and colleges, than any other American equity. It represents ownership in the biggest, and perhaps the best managed public utility system in the world, is a soundly financed company which for three generations has kept pace with exceedingly rapid technological progress. It has everything which commands confidence in stability. Yet the stock has ranged between a low of 101¼ and a high of 201.

Pennsylvania Railroad has paid dividends, in varying amounts, every year snce 1848, almost a hundred years, but in the past 8½ years it has sold as low as 15 and as high as 47½. Your own Pepperel Manufacturing has not missed paying a dividend of some kind in any calendar year since 1852; yet, measured on the basis of the present split-up shares in 8½ years it has ranged between a low of 10 and a high of 63⅞. General Electric, one of the great growth stocks of the past 50 years, in the same period has sold as high as 52 and as low as 21½; it always has been a "good" stock, but a trust officer who put it into a fund in 1937 at around 64 must have felt pretty sick about his judgment only a year later when it sold below 28.

Now the conservative banker at the bottom of the 1942 bear market, just after Pearl Harbor, might probably reluctantly have approved a trust account purchase of Corn Products, American Can or Procter & Gamble, all of which (at least until recently) have provided sub-average behavior—but he probably could not have conditioned his mind even to countenance the purchase of such recent spectacular performers (in each case for perfectly sound reasons in review) as Allied Stores which has risen from 4 to 63, Atchison which is up from 27½ to 119, Conde Nast which has skyrocketed from 1⅞ to 77½, Engineers Public Service which has appreciated from 1¼ to 41½, Fansteel which is up from 3 late in 1941 to 40½.

The reason is not far to seek, the banker thinks by habit in terms of capital conservation and conservative investment. The typical common stock investor thinks in terms of an entrepreneur. He has the imagination which the banker has learned to distrust because imagination has small place in his business and profession. The cmomon stock investor tries to develop vision. And vision may lead to a mirage or to a real pot of gold.

The Danger of Over-Prudence

Thus, the first obstacle any banker is up against when he tries to judge common stocks is a perfectly logical one, and one which, if he is a good banker, he is congenitally unable to overcome completely. He believes in another world of thought. There is the danger, ladies and gentlemen, in going too far in applying the prudent man rule, so far as common stocks are concerned, to trust company investments handled largely by men who are essentially from a banking background.

Today, I fear, all people — investment counsellors, brokers, investors and bankers — seeing the great harvest of paper wealth in common stock investments, are putting common stocks on a pedestal where they do not belong. I hate the use of hackneyed phrases, but you don't make a silk purse out of a sow's ear, now any more than you ever did. Pigs is pigs, and common stocks is common stocks.

I have lived with them, day in and day out, since 1919. I love them and understand them just as my dear Maine father, who was a most successful farmer and an outstanding dairyman in New England forty years ago, loved and understood Holstein cows But I know their limitations. My dad, I remember, never tried to make butter; he knew his herd's limitations. He always said that Holsteins could make just as good butter as Jerseys; but, when we could get it, we ate good Jersey butter on our lush Maine table.

I remember that Dad said he never owned a Jersey cow that did not beat him at his own game sooner or later. He did not understand Jerseys. I'm afraid he never tried. He was one of those hard-headed New Englanders who nourished prejudices and was proud of them. I have inherited a tendency to prejudices. Everyone who relishes life ought to have a few. They make life more interesting. Of course, I have a prejudice for common stocks.

Now, there is a place where my partisanship for common stocks and the banker's traditional prejudice against them should meet. There are some common stocks which are good long term investments, either for an individual investors or for a trust. Let me show you a few which have been good investments for anyone.

A few years after I moved to New York, I think some time around 1925 or 1926, I wanted to buy an automobile — I needed some money. There was little prospect of saving it out of my salary, so I decided to acquire it in some other way. I bought some shares in Computing-Tabulating-Recording, and cashed in a very satisfactory profit in a few months. Then I bought an Overland six. It was a good car, and we got a lot of good out of it. Do you know it was the most expensive car I ever owned?

Why? Because Computing-Tabulating-Recording, which afterwards became International Business Machines, was a growing company—in fact, an outstanding "growth" company. If I had held that odd lot of stock, which I sold to buy the Overland car, until now, I would be able to buy twenty Rolls-Royce cars and pay black market prices for them.

Profits From Inactivity

I know a man who bought 200 shares of General Electric in 1906. Today he is a millioniare. He has a reputation for being a very astute investor. Actually, about all he has done during the past 40 years to deserve this reputation has been to hold his General Electric.

A client of mine worked as an engineer for the Aluminum Company until he retired on a $10,000 pension ten years or more ago. He owns a big block of Aluminum Company stock which cost him the equivalent of about $2 a present share. That, of course, was a fortuitous investment.

But he has not stopped there. The last time I looked over his list he owned 134 other stocks. All but two were paying a dividend, and, believe it or not, he had a profit in every one of them. He always investigates before he invests. He seldom takes any big chances. He seldom sells anything. I don't think I have had more than ten selling orders from him in the past seven years.

At the end of 1942 he came to me about the problem of reducing his income tax by taking some capital losses. It was a hopeless job as he had six small losses in, if I remember correctly, 126 items. This man does not try to sell out on the top and buy back on the bottom. He just invests and stays put. Of course his "liquidating value" fluctuates, but he is so far ahead of the game that he probably would have a paper profit (thanks to his Aluminum) in the worst panic you can imagine.

Past Profit Opportunities

At the annual meeting of Abbott Laboratories last March, the president called attention to the fact that $1,000 invested in this company's shares in March 1933 would have been worth $16,600 on March 1st, 1946 and would have paid, in the 16 years, $3,737 in dividends. Similar performances, with better or poorer, but in all cases, most remarkable appreciation and income, have been presented by many other stocks. To mention a few, Charles Pfizer, which is up from 8 to 80 since 1942, Food Machinery, Sears Roebuck & Co., Coca-Cola, Standard Oil of New Jersey, Gulf Oil, Bristol-Myers, Sterling Drug, Monsanto Chemical, Dow Chemical, Celanese, G. C. Murphy and Eastman-Kodak.

In passing, just notice how few of these stocks have back of them net tangible assets, property values, commensurate with the prices at which they sell. Now turn to some stocks with very high net tangible assets per share. I think, offhand, of Western Union, Crucible Steel, American Sugar Refining and United States Steel. There is nothing particularly outstanding about the long term investment performance of these, in spite of the fact that they are "big names". Too many people "play by ear" in their stock investments — they think a "big name" must be good, and that anything obscure is speculative. Others put too much emphasis on property values, not realizing that they may be inflated, as they were in the case of U. S. Rubber under the former management and in Crucible Steel for many, many years. They forget that it is earning power, not bricks and mortar, which make investment values.

Growth Companies Safest and Most Profitable

The safest common stock investments, and the most profitable, are commitments in the shares of well managed "growth" companies. In fact, about the only way left in which to acquire a fortune in a lifetime is to make an investment in a "growth" company (it matters not whether it is represented by a listed stock or is direct proprietorship in a local industry) and perhaps never sell it.

Patience the Outstanding Virtue

I grant you that most stocks are "made to buy and sell", meaning that the only way to make money "in the market" is to sell bull markets and buy bear markets; but long and most intimate experience convinces me that the way to INVEST in stocks is to buy carefully selected "growth" issues and keep them through good and bad markets. In the long run, the investor always makes more money out of stocks than the speculator. Patience is an out-

standing virtue in successful investment in equities.

I suppose most of you would like to have me tell you what stock to buy Monday morning for a profit by Tuesday noon, and when the bull market will end. I'm sure, however, that your officials had no such thought in mind when they invited me here. They were expecting a highly respectable economic discussion, such as would give your convention "caste" in the financial journals and magazines which will report it. But when you heard about the man who was scheduled to address you, you probably thought "here is where we get something right out of the horse's mouth"!

Now, I don't know when the bull market will end, or what will end it, or just how unpleasant the end will be. I am not assuming, however, that stock brokers always will be profitable servants to their clients.

You know that recently this has been the grandest business anyone could possibly imagine. We have been making money, the clients have been making money; and our profession, after a long period of starvation and disgrace, has become among the most highly respected.

So far as I am concerned, I'm going to gather all the roses I can while the season lasts. Their aroma is sweeter than some of the smells I have experienced in the past. But I can't help remembering that these roses are growing on thorny bushes. I am trying not to get scratched.

When Will the Bull Market End?

My general approach to the problem of trying to time the duration of the present pleasantness is one of despair rather than of confidence. About all I can do is to survey a huge acreage of familiar ground rather quickly. I'll show you some fine rich loam, some very rocky and barren soil, some swamps, and some good building sites on high ground — and try to warn you where the quicksands are located. After I get all through, neither you nor I, if we are as honest with ourselves as we are with other people's money, will be able to draw accurate property lines.

Post-War Prosperity

Let's begin with the obvious. World prosperity, often after a short period of painful adjustment, in the past almost always has followed all large scale wars. War destroys wealth which must be replaced. War stimulates technological progress for capital to finance. War creates all kinds of deficits in the things people need. From the standpoint of replacing the wealth that the war destroyed abroad that the war prevented from being produced at home, and exploiting the technological knowledge which it developed, we must have a long period of activity ahead. There is no need of saying anything more about deferred demand. That's still very, very bullish. And it will be for a long time. It's too early to worry about the eventual aftermath of overproduction.

Next, we know that every major war since the beginning of time has been immoral, unethical and dishonest, and has resulted in unleashing the worst, rather than developing the best in human character. After every war, when the martial spirit dies down and men and women are emotionally tired, we enter a period when social morals and social morale are jointly bad. The backwash of war on human character is deleterious. We are seeing this already, in our national life, as well as in our international relations To say the least, this is an unsettling and a dis-stabilizing factor in the whole economy and in the financial markets.

What I have just said covers strikes, black markets, weak governments, selfish pressure groups nylon lines, over-speculation, crowded divorce courts, evidence of an alarming spread of nervous and mental disorders, crazy buying in retail stores, and the apparent unwillingness or inability (perhaps both) of manufacturers to produce really good products at reasonable prices.

Inflation

Like every war, this one was dishonestly financed. Our government, the British government, the Canadian government, and every other government borrowed money. That money may be paid back, but if it is, it will be in dollars and pounds of smaller purchasing power. The evidence of a deteriorated unit of currency always is more pronounced in the first few years after the end of a war. Right now we are talking a lot about inflation, and we experience it every time we buy a meal, purchase clothing, or come to a banker's convention. The dollar is not worth as much as it was before the war. That has a bearing on the price of securities as well as on the price of a dwelling or a pair of shoes.

The progress of inflation is never even. It is a chills and fever process, or at least it always has been in the past. If we are wise, therefore, we will expect periods of weeks, or months or perhaps even years, in whcih deflation may seem to have the upper hand. During those interruptions in the broad trend, however, we may not always remember that the long term trend is toward cheaper dollars, cheaper pounds and cheaper francs. You notice I did not say cheaper rubles. Unless Russia mends her ways, it won't make any difference whether or not the ruble is cheaper. Russian money won't be a factor in world affairs even though the Soviet may be a very real one.

Federal Reserve Policy

The chills and fever of inflation may be governed to some extent by Federal Reserve Bank policy. I would get a little concerned about the continuity of an upward trend in the stock market if I observed a persistency in the recent trend in the government bond investment account of the Federal Reserve member banks. Lately there has been a big disinvestment in government securities by these banks, and in the past disinvestment in government securities by the Federal Reserve Banks usually has been followed by unpleasant repercussions in business and in finance. I doubt if this disinvestment in governments has been solely the result of overselling bonds in the Seventh War Loan drive, as it is so easy to assume. I think the Federal Reserve Board is trying to fight inflation. It may be successful eventually, at least for a while. We might experience another 1920-1921 in some form. and it could be tough while it lasts. In other words, it may be that we will have to squeeze some of the present foolishness out of the economic and social situation before we can have our big postwar replacement boom. I don't know. You don't either. As men who deal with other people's money, and advise them, however, we must keep our eyes open. Sometime next year, or later, we could have a little economic upset — one big enough to give us some sleepless nights and inspire a few more gray hairs.

Interest Rates Trending Secularly Lower

I am one of those radicals who thinks that interest rates always were too high in the past, and that the time will not again return when 6% and 7% can be had on first mortgages, and 5% or 6% on good quality railroad and industrial bonds. I surmise that men with money are not as much worse off as they think they are as a result of lower interest rates. Loans are of a good deal better quality since they carry amortization, and you require amortization of almost any loan today. I remember a paragraph in the Saturday Evening Post years ago, where it was pointed out that if Leonardo da Vinci had loaned a piece of gold about as big as a marble at 6% interest compounded semi-annually and if the loan had been regularly serviced to date, the borrower could not now find gold in all the world to pay off the debt. 6% interest, as it was practiced for so many years in America, can be earned only if the money lent assumes entrepreneurial risks — and part of entrepreneurial money always is lost.

Price Earnings Ratios Will Be Higher

I would assume therefore, that we must become accustomed to lower yields on stocks just as to lower yields on bonds — and if yields on stocks are to be lower, price-earnings ratios must be higher. It is hard for me to become accustomed to present stock yields just as it is for you to become accustomed to lower bond yields. If I am coldly logical, however, I must admit that stocks have not gone up any more than bonds, and I must recognize that stocks have not gone up as much as commodities have appreciated, or as much as the value of the dollar has declined.

It is always hard to know where or how to end an address like this. When I do not have a manuscript (and that is most of the time), I just wait until I see signs of drowsiness or uneasiness, and then I know it is time to quit. Today my terminal facilities have been cramped by too much paper work, just as my rhetoric has been stilted by too much careful phrasing.

I want to close on a very practical note.

We live in a hectic age. But we have lived all our lives in a period of economic and social, and even political revolution. The day I graduated from Biddeford High School, Archduke Ferdinand was shot. That was not very important in itself, but you know that the assassination of this member of the House of Hapsburg set off World War I and all that has since happened. The shot that killed old Ferdinand was like a starter's gun at a race track. We have lived great times, great changes, and little stability. Yet we are all here — all engaged in the business of handling money.

A Rapidly Changing World

I can see nothing but further change ahead. Certainly we are not going back where we were before World War I, before Franklin D. Roosevelt, before World War II. Nor are we going back even as far as Franklin D. Roosevelt. The world is marching on in a great period of revolutionary and evolutionary change. Our greatest problem in the next generation, as President Schram of the New York Stock Exchange said last week at the University of Vermont commencement,* is to condition the hearts and minds of men to absorb the material and scientific progress of the past 50 years. We have not been going backward in scientific or economic progress — we have been going ahead. It is in spiritual progress that we have been backward. Man, the animal, is no better than he was in the horse and buggy days — but he has lots more complicated things in the mechanical, scientific, social, economic and political world to handle.

The big problem of every banker, every broker, every business man, every public official, is not how to handle the affairs of the world, but how to handle himself and other men in an age so blessed with things that can be used for such weal, or abused to cause such chaos and disaster.

We must, therefore, endeavor to be statesmen with money. We must do our best to serve the confused people who come to us, and we can do this if we will be frank and clearly enunciate our limitations while making the biggest contribution we know how to a solution of their problems. There is only one type of man who does not make mistakes. He is the man who never does anything.

*Cf. the "Chronicle"—June 20, 1946, p. 3356.

Short Positions on Curb to June 15

The total short position in stocks traded on the New York Curb Exchange amounted at the close of business on June 14, 1946, to 137,183 shares in 198 issues, the Exchange reported on June 20. This compares with a total short position on May 15, 1946, of 200,749 shares in 233 issues and represents a decrease of 63,566 shares. There was an increase in the previous month of 5,607 shares.

The report shows that only five stock issues out of the total of 863 traded on the Curb Exchange on June 14 showed a short position of 5,000 shares or more, compared with eight issues on May 15, 1946.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

In relation to earnings, New York City bank stocks are selling at an historically low level. Based on studies in which the writer was engaged some twelve years ago, the market-earnings ratios of prominent Wall Street banks averaged approximately 18.5 over the 27 year period 1907-1933. During the first sixteen years of this period the average ratio was approximately 15.5, but during the last eleven years it was approximately 23.3. Many of the data upon which this study was based were obtained from that excellent publication by the old firm of Noble & Corwin, issued in 1928, entitled "26 Year Record of N. Y. Banks."

Since those pre-1929 years, many mergers and other changes have been effected among leading New York banking institutions; new Federal and state laws have been enacted and new governmental controls have been instituted. Furthermore, a greater public interest in bank stocks has developed, the bank stock market has become more orderly, daily quotations of prices have been made available, stockholders are kept better informed by management on the affairs and operations of the banks, and earnings today are reported on a relatively uniform and more readily understandable basis.

In view of these many differences which mark the two periods, direct statistical comparison of bank operations is not possible. Nevertheless, it is of interest to note that the average market-earnings ratio of a group of sixteen leading New York City banks, comparable to the group considered in the early study referred to above, is currently at the low figure of 10.9. This is only 59% of the 27 year ratio, 70% of the 1907-1922 ratio and 47% of the 1922-1933 ratio.

Turning to the period following the 1933 "bank holiday," the annual average market-earnings ratios of the sixteen present-day bank stocks, based on the mean of the market high and low each year, are shown in Table 1.

During this period, net earnings from all sources have been considered, i.e.: net operating profits, net security profits and net recoveries. This has been done for the reason that in any one year the total of these three items measures the net improvement in a bank's position, and furthermore, the market takes cognizance of them.

Table 2 presents a tabulation which shows the current position of each of the sixteen banks. The market prices used are the asked prices of June 21, 1946, as published in the New York "Times," and the earnings figures are the total net for 1945, including net security profits and net recoveries.

The last column of Table 2 shows for each bank its twelve year average ratio, also the sixteen bank average, with which to compare the current ratios. It will be observed that currently the average market-earnings ratio of the sixteen banks is about 81% of their twelve year average. First National's current ratio of 14.8 is slightly higher than its 12 year ratio of 14.6. Manufacturers Trust's current ratio of 8.1 also is higher than its twelve year average, but Manufacturers' ratio is one of the lowest in the group whereas First National's ratio is the highest. Lowest ratio is the 5.1 of Continental Bank & Trust; next is Bank of Manhattan, closely followed by Manufacturers Trust, which holds the low 12 year average.

The year 1943 had the lowest average ratio for the sixteen banks of 10.2, since then the ratio has been creeping upward but it has some distance to go before it reaches the ratios established in the years 1935 to 1940.

Table 1

Year	Ratio
1934	12.1
1935	16.6
1936	18.2
1937	19.5
1938	13.3
1939	14.4
1940	13.3
1941	11.7
1942	10.8
1943	10.2
1944	10.7
1945	10.6
12 year average	13.5

Table 2

Bank—	1945 Total Net Earnings Per Share	Asked Price 6-21-1946	Ratio: Market to Earnings	Ratio: 12 Year Average 1934-1945
Bank of Manhattan	$4.00	32	8.0	10.0
Bank of New York	33.31	442	13.3	17.8
Bankers Trust	5.28	49	9.3	14.3
Central Hanover	11.67	112½	9.6	15.0
Chase National	3.59	42⅞	12.5	15.8
Chemical Bank & Trust	4.40	46½	11.1	12.8
Continental Bank & Trust	4.22	21½	5.1	10.9
Corn Exchange	5.43	62	11.4	12.2
First National	122.92	1,825	14.8	14.6
Guaranty Trust	26.78	336	12.5	15.0
Irving Trust	1.50	19¼	12.8	15.8
Manufacturers Trust	7.70	62¼	8.1	7.2
National City	4.12	46¾	11.3	12.6
New York Trust	9.86	107	10.9	12.5
Public National	4.50	43¾	9.7	11.0
U. S. Trust	57.93	805	13.9	18.2
Average			10.9	13.5

SEC Seeks More Control Over Unlisted Securities

(Continued from page 3471)

respect to securities which are registered by their issuers on securities exchanges, and with respect to registered public utility holding companies and subsidiaries and registered investment trusts. Corporations issuing such securities file with the Commission current reports on their financial position. Since these reports are public information, the investor can buy or sell on the basis of something other than "tips" and "trends." The investor in these securities also enjoys a more effective voice in the management of his corporation. When his proxy is solicited he is not faced with the alternatives of giving a blank check to the soliciting persons or of foregoing the right to vote altogether. The Commission's proxy rules require that the security holder be given the information necessary to an intelligent exercise of his voting rights; he must be given an opportunity to indicate his wishes separately with respect to all matters which are expected to arise at the meeting; and he is also given a reasonable opportunity to present his own proposals and views to the other security holders. Another of the basic protections enjoyed by the investor in such registered securities is the safeguard against trading abuses by "corporate insiders"—that is, by officers, directors and principal stockholders. Short-term trading profits by corporate insiders in the equity issues of the registrant may be recovered by the corporation. Such insiders are forbidden to sell short the equity securities of their own corporations. Moreover, any trading in these securities in which such insiders engage must be promptly reported and is made public at once.

These protective provisions are contained in sections 12, 13, 14 and 16 of the Securities Exchange Act and in parallel provisions of the Public Utility Holding Company Act and the Investment Company Act. As a result of the limited coverage of these provisions, a security which is not listed on a national securities exchange, unless it happens to be a registered public utility or investment company security, lacks these vital protective features. Commission surveys show that these unregistered securities are commonly bought and sold on the basis of information which is at best inadequate and sometimes misleading. Financial statements of the issuers of such securities are bare and uninformative; they lack much of the information needed for an informed appraisal of the issuer's securities. Proxies are usually powers of attorney conferring blanket authority upon the soliciting persons, and the information to guide the security holder in the execution of the proxy instrument is withheld. The stockholder is provided with so little information that at times, when solicited for his proxy in connection with the election of directors, even the names of the nominees are not disclosed. Moreover, the stockholder has no way of knowing whether and to what extent corporate insiders are utilizing their inside information at his expense.

The only provisions of the securities acts applicable to unregistered securities are those which outlaw fraudulent and manipulate practices. Within the limits of its manpower, the Commission has sought to carry out the statutory mandate with respect to unregistered securities. It has discovered, however, that in this as in other matters correction is not as effective as prevention; that security holders are much more adequately protected when issuers and corporate insiders are under an obligation to supply information.

The importance of requiring such information is considerably enhanced by current and prospective conditions in the business world. The manner in which some corporate insiders have taken advantage of their private knowledge during the war years illustrates what may be expected in years to come. Insiders having advance information have frequently been enabled to exploit their advantage to buy up publicly-held unregistered securities at depressed prices. This and similar patterns of fraud recur again and again in the files of the Commission.

The Commission proposes at this time that the safeguards relating to registered securities be extended to cover the securities of large unregistered corporations which have one or more issues widely held. Specifically, we propose that the provisions of sections 12, 13, 14 and 16 of the Securities Exchange Act be made applicable to securities of unregistered corporations having at least $3,000,000 in assets and at least 300 security holders. The legislative history of the Securities Exchange Act discloses that the proposal which the Commission is making at this time is simply a means of attaining Congress' original objective as declared in 1934—the objective of providing equal protection to all investors, whether on the organized exchanges or over the counter. The principal factor which prevented Congress from carrying out this information at that time was its uncertainty as to the nature and scope of the issues of unregistered securities and the conditions under which such securities were traded. The feasibility of extending the protective disclosure provisions to securities which were not traded upon the exchanges was not then established.

Since 1934, however, the Congress has from time to time extended the registration provisions, and the attendant provisions relating to proxies and insiders' trading, to important classes of securities which had not originally been subject to those provisions. Thus, with the enactment of the Public Utility Holding Company Act of 1935, many holding company and operating company issues became subject to these safeguards. And in 1936, with the amendment of the Securities Exchange Act, a requirement for periodic financial statements was laid down in connection with the registration of large issues thereafter offered to the public. Again, when the Investment Company Act was adopted in 1940, another important group of issues was subjected to protective provisions similar to those contained in sections 12, 13, 14 and 16 of the Securities Exchange Act. The measure proposed here is the logical ultimate step which would safeguard investors in all corporations of substantial size the securities of which have achieved a significant degree of public distribution.

The proposed amendment would affect a relatively small number of companies, but the affected group is one of considerable economic importance. According to our estimates, there are some 3,090 companies, excluding banks, with assets of $3,000,000 and having over 300 security holders. Of these, some 1,600 are registered and are filing reports with the Commission, and most of these are also subject to the proxy solicitation and insider trading provisions of the Acts administered by us. Of the remaining 1,490, some 500 are already filing with other Government agencies public reports which are comparable in their basic aspects to those required by the Commission. The 1,000 companies which do not file such reports could comply in most instances with the Commission's requirements without assuming any significant accounting burdens. Some 85% of the companies in this class already have their financial statements certified by public accountants. The information that would be required is, for the most part, already on the books of all these companies; the only question is whether it shall be made available to their security holders and the investing public. And as for the proxy rules and the insider trading provisions, these require little or no administrative effort on the part of the companies and persons affected.

The proposed amendment, it should be noted, would put an end to any tendency on the part of corporate management to select that market for its security holders which is available with fewest restrictions upon management. Any tendency on the part of management to deny security holders the facilities of an organized securities exchange in order to avoid the attendant disclosure responsibilities would disappear. The exchanges and over-the-counter markets would then be on a truly competitive basis with the governing consideration being the service which each can supply the investor. That investors would benefit from such increased competition can scarcely be questioned. The New York exchanges have have gone on record in the past in support of a program comparable to that proposed here.

Moreover, the benefits of requiring the registration of all substantial issuers with publicly-held securities would not be limited to investors and the exchanges. They would inure to every broker or dealer whose principal concern was to serve the interests of his customers. This proposal would end the necessity on the part of dealers in the over-the-counter markets to choose securities for their customers on half-facts and hunches. It would afford brokers and dealers the tools with which to select securities on a truly in-

formed basis. It should also be noted that one consequence of the proposed amendment may be a decrease in private placements. To the extent that companies reluctant to yield information to investors may have resorted to private financing to supply their new capital needs, thereby avoiding public offerings of new securities and the attendant duty of registration, the amendment with its uniform registration requirements would redound to the benefit of securities dealers, for there would be no incentive to avoiding public offerings on account of the disclosure provisions of the Securities Act of 1933.

In essence, what is proposed is a moderate and overdue extension of provisions which are at the heart of the Securities Exchange Act and which are basic to the Public Utility Holding Company Act and the Investment Company Act—provisions which are essentially informational, which have operated smoothly and successfully, and with which there can be no quarrel in principle. It is an extension which is badly needed and easily effected. The accompanying report, which sets out in more detail the proposed amendment and the facts relating to it, is earnestly recommended to the consideration of the Congress.

The legislative proposal and the accompanying report were adopted by the Commission on April 30, 1946, Chairman Purcell and Commissioners Healy, Pike, McConnaughey and Caffrey participating. The time consumed in revising the report in accordance with the Commission's instructions for editorial and other changes and in the mechanical process of duplication has prevented a more expeditious transmission to the Congress.

By direction of the Commission:

GANSON PURCELL,
Chairman.

The President Pro Tempore of the Senate,
The Speaker of the House of Representatives.

Effect on Over-Counter Dealer

The SEC concludes the body of the report by the following discussion of its effects on the over-the-counter dealer:

"For the over-the-counter dealer the amendment would involve certain advantages and disadvantages. As to the latter, it may be noted that added impetus would be given to exchange trading by the fact that a company desiring to list its securities on an exchange would as a rule be able to do so simply by filing with the exchange its registration statements and its intervening reports, plus such other information as the exchange might require. Furthermore, adoption of the amendment may well result in an increase in the extent of unlisted trading on exchanges. At present the policy of the Act is that unlisted trading privileges shall not be extended to securities which are not subject to protective provisions on behalf of investors substantially equivalent to those applicable in the case of listed securities; and as a general matter the Commission has not deemed it advisable to grant exemptions from this broad requirement, although it has statutory power to do so in appropriate cases. The proposed amendment would automatically create such an equivalence of duties, and make unlisted trading potentially available wherever adequate public trading activity and public distribution exist in the vicinity of the exchange and unlisted trading is otherwise in the public interest. It should be noted, however, that by the terms of the proposed amendment the company involved would be given an influential if not controlling voice on the question whether its securities shall be admitted to unlisted trading in such cases.

"As to the advantages to the over-the-counter dealer, one consequence of the proposed amendment, it should be noted, may be a decrease in private placements. To the extent that companies reluctant to yield information to investors may have reported to private financing to supply their new capital needs, thereby avoiding public offerings of new securities and the attendant duty of registration, the amendment with its uniform registration requirements would redound to the benefit of the securities dealer, for there would be no incentive to avoiding public offerings on account of the disclosure provisions of the Securities Act of 1933.

"Moreover, the broker or dealer interested in trading securities for his own account would no longer be acting in the dark. At present, when dealing in securities which are not registered with the Commission and concerning which information is not available in the public files of other governmental agencies, the dealer proceeds largely upon guesswork, or upon the basis of his own investigations, which are expensive, time-consuming, and often inadequate. The dealer, like the investor, sometimes purchases relatively worthless securities. This may happen, for example, in the course of large distributions of securities by non-controlling stockholders, to which the registration provisions of the Securities Act of 1933 are not applicable. The competition of dealers among themselves in these cases makes for a willingness to accept large blocks of securities even though reliable information is lacking upon which a valid judgment as to investment merit may be based. The availability of pertinent information in the offices of the Commission, or through secondary sources derived from filings with the Commission, would make it possible to weed out the bad and to recognize the good. To a considerable extent, the opportunities to trade upon inside information would be curtailed. However, there would be the advantages of trading in a well-ordered and more stable market, with the element of risk better appraised and with the prospect of happier and more permanent relationships with satisfied customers."

Text of Proposed Amendment

The text of the proposed amendment, as contained in the Commission's report follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembeld, That Section 12 of the Securities Exchange Act of 1934, as amended, is hereby amended by adding thereto a new subsection (g) reading as follows:

"(g) (1) Every issuer which is engaged in interstate commerce or in business affecting interstate commerce, or the securities of which are regularly traded by use of the mails or any means or instrumentality of interstate commerce, shall file with the Commission, with respect to each of its securities not registered pursuant to subsection (b), a registration statement containing such information and documents as may be required in respect of an application to register a security pursuant to subsection (b), and such supplementary and periodic information, documents and reports as may be required pursuant to section 13 of this title in respect of a security so registered. Whether or not a registration statement has been filed pursuant to this subsection, the provisions of sections 14 and 16 of this title shall apply with the same force and effect as if all the securities of any such issuer were registered pursuant to subsection (b).

"(2) The provisions of this subsection shall not apply in respect of any security issued by:

"(A) Any issuer which has less than $3,000,000 in assets;

"(B) Any issuer all the securities of which are held directly or indirectly by fewer than 300 persons;

"(C) Any issuer all the securities of which are exempted securities;

"(D) Any issuer which is a bank;

"(E) Any issuer organized and operated exclusively for religious, educational, benevolent, fraternal, charitable, or reformatory purpose and not for pecuniary profit, and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

"(3) The provisions of this subsection shall not apply in respect of any issuer, security, transaction, or person which the Commission may by rules and regulations exempt, either unconditionally or upon such terms and conditions as may appear to be necessary or appropriate in the public interest or for the protection of investors, as not comprehended within the purposes of this subsection. The Commission may so exempt any issuer, whether or not it is engaged in interstate commerce or in business affecting interstate commerce, if substantially all its securities are held within a single State. In respect of foreign issuers, considerations relevant to the granting of such exemption may include the extent to which the provisions of this subsection are susceptible of enforcement with respect to such issuers, and the extent to which there may exist a substantial interest in the securities of such issuers among investors located within the United States or any State.

"(4) The provisions of section 14 of this title shall not apply to any solicitation of a proxy or consent or authorization in respect of any security not registered pursuant to subsection (b) where all the securities in respect of which the solicitation is made are held directly or indirectly by fewer than 300 persons. Failure to comply with the provisions of section 14 of this title in respect of any security not registered pursuant to subsection (b) shall not invalidate any corporate action, but the provisions of this paragraph shall not be construed to prevent the granting of injunctions in any proper proceedings, or to exempt any person from any penalty or prohibition provided by this title with respect to violations of this title or of any rules or regulations thereunder, or to alter or modify any rights or remedies which would otherwise exist at law or in equity.

"(5) The rules and regulations of the Commission shall provide that an issuer may adopt in compliance with the registration and reporting requirements of this subsection information, documents and reports filed with the Commission under any statute and substantially equivalent to that required of an issuer having a security registered pursuant to subsection (b).

"(6) This subsection shall remain applicable in respect of any security registered hereunder until the Commission, upon its own motion or upon the application of such an issuer, by order cancels such registration. The Commission shall enter such an order, subject to such terms and conditions as it may deem necessary to impose for the protection of investors, if it finds, after appropriate notice and opportunity for hearing, that by reason of change of circumstances since the date of registration or otherwise the issuer is not subject to this subsection.

"(7) The Commission, for the purposes of this title, may by rules and regulations define the phrases 'less than $3,000,000 in assets' and 'held directly or indirectly by fewer than 300 persons,' and any portion thereof."

Sec. 2. Subsection (f) of section 12 of the Securities Exchange Act of 1934, as amended, is hereby amended as follows:

(a) By inserting between the fourth and fifth sentences of the second paragraph of that subsection the following new sentence: "The issuer of any security which is the subject of an application to extend unlisted trading privileges pursuant to clause (3) of this subsection shall be given an opportunity to appear as a party and be heard on such application; and, if the issuer so appears and opposes the application, it shall not be approved unless the Commission finds that the continuation or extension of unlisted trading privileges pursuant to such application is necessary or appropriate in the public interest or for the protection of investors notwithstanding any showing of detriment to the issuer which may be made."

(b) By amending the second sentence of the fourth paragraph of such subsection to read as follows: "On the application of the issuer of any security for which unlisted trading privileges on any exchange have been continued or extended pursuant to this subsection, or of any broker or dealer who makes or creates a market for such security, or of any other person having a bona-fide interest in the question of termination or suspension of such unlisted trading privileges, or on its own motion, the Commission shall by order terminate, or suspend for a period not exceeding 12 months, such unlisted trading privileges for such security if the Commission finds, after appropriate notice and opportunity for hearing, that by reason of inadequate public distribution of such security in the vicinity of said exchange, or by reason of inadequate public trading activity or of the character of trading therein on said exchange, or by reason of detriment to the issuer, such termination or suspension is necessary or appropriate in the public interest or for the protection of investors."

Sec. 3. This Act shall become effective six months after approval.

Ed. Note: The "Chronicle" invites comments on the foregoing proposal of the SEC and on any related phases of the subject. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. At the request of the writer, his identity will not be revealed in connection with the publishing of his views and opinions.

Labor Union Status and Capitalism's Future

(Continued from page 3473)

the framework of our Constitutional Government.

In the long development of the philosophy of public control of industries affected with a public interest certain essential features stand out that are of paramount importance in understanding the long-run implications of the labor-management crises that have charterized the economy since V-J Day. It is the purpose of this paper to review these features and to analyze their implications for the future of American Capitalism unless the proper course in handling them is pursued.

I must emphasize that the conclusions reached do not involve wishful thinking but rather a future that, if possible, I would avoid. But its avoidance can occur only if all parties concerned realize and accept the responsibilities inherent in their relation to each other. Failing this, our capitalist order is in danger of radical alteration. This paper will describe how the growth of the labor movement has made of it a pursuit affected with a public interest and, hence, clearly within the orbit of social control. But the social control of human relations is quite different from our traditional process of social control of property rights. In this lies the challenge to the capitalist order.

II

There are at least three features that have become outstanding in the development of the American philosophy of social control. They have important implications for the future of American Capitalism. Their significance is increased by the current labor-management crises.

In the first place, there is the accepted principle that the public utility status of an economic pursuit is not static but is a product of economic development. The Supreme Court has said:

> Businesses which, though not public at their inception, may be fairly said to have risen to be such, and have become subject in consequence to some Government regulation. . . . In the language of the cases, the owner, by devoting his business to the public use, in effect grants the public an interest in that use, and subjects himself to the public regulation to the extent of that interest, although the property continues to belong to its private owner, and to be entitled to protection accordingly. . . . (Mr. Chief Justice Taft in Wolff Packing Co. *v.* Court of Industrial Relations of Kansas, 262 U. S. 522-544, June 11, 1923).

This principle was further extended by Mr. Justice Roberts (Nebbia *v.* New York, 291 U. S. 502-559, March 5, 1934):

> . . . if one embarks in a business which public interest demands shall be regulated, he must know regulation will ensue. . . . So far as the requirement of due process is concerned, and in the absence of other constitutional restrictions, a State is free to adopt whatever economic policy may reasonably be deemed to promote the public welfare, and to enforce that policy by legislation adapted to its purpose.

The Court in this fashion has clearly stated that the concept of affectation with a public interest is one of evolution and is determined by the public will acting through its Legislature. The case of Nebbia *v.* New York seems even to limit an important qualification of this principle imposed by the unanimous decision in the Wolff Packing Co. case. In the latter, Chief Justice Taft said:

> . . . the mere declaration by a Legislature that a business is affected with a public interest is not conclusive of the question whether its attempted regulation on that ground is justified. The circumstances of its alleged change from the status of a private business and its freedom from regulation into one in which the public have come to have an interest are always a subject of judicial inquiry.

Mr. Justice Roberts in the Nebbia case held:

> If the laws passed are seen to have a reasonable relation to a proper legislative purpose, and are neither arbitrary nor discriminatory, the requirements of due process are satisfied, and judicial determination to that effect renders a court *functus officio*. . . . With the wisdom of the policy adopted, with the adequacy or practicability of the law enacted to forward it, the courts are both incompetent and unauthorized to deal. . . . Times without number we have said that the Legislature is primarily the judge of the necessity of such an enactment, that every presumption is in favor of its validity, and that though the Court may hold views inconsistent with the wisdom of the law, it may not be annulled unless palpably in excess of Legislative power.

From this it is clear that the determination of the public utility status rests with the public acting through its Legislature and subject to reversal in limited circumstances by its court. There is no fixed category of economic pursuits affected with a public interest; it is a group determined by the prevailing philosophy of the people, and it arises from circumstances evolving out of the dynamic nature of economic life.

The second feature of the development of the philosophy of social control in the United States is that the public has come to believe that social control applies primarily to industrial control, i.e., to the control of property rights used to produce a good or render a service. Actually the application of the public utility concept involves far more than the power to attach with a public interest only property rights in material instruments of production. Mr. Justice McKenna made this clear in the German Alliance Insurance Co. case when he said:

> The complainant explicitly so contends, urging that the test it applies excludes the idea that there can be a public interest which gives the power of regulation as distinct from a public use which, necessarily, it is contended, can only apply to *property* (italics mine), not to personal contracts. The distinction, we think, has no basis in principle (Noble State Bank *v.* Haskell, 219 U. S. 104), nor has the contention that the service which cannot be demanded cannot be regulated. . . . Munn *v.* Illinois, 94 U. S. 113, is an instructive example of legislative power exerted in the public interest. . . . The principle was expressed . . . "that when property is affected with a public interest it ceases to be *juris privati*, and it becomes clothed with a public interest" . . . ; and, so using it, the owner "grants to the public an interest in that use, and must submit to be controlled by the public for the common good." . . . The principle was expressed as to property, and the instance of its application was to property, but it is manifestly broader than that instance. It is the business that is the fundamental thing; property is but its instrument, the means of rendering service which has become of public interest.

The extension of social control beyond the realm of property rights is clearly possible under this decision. It encounters, however, the possibility that controls involving other than property rights infringe upon the right of individuals to contract about their affairs, a right guaranteed by the Constitution. This was held by the Court in the Wolff Packing Co. case where the Kansas law permitted the Court of Industrial Relations to compel owner and worker to "continue in their business and employment on terms fixed by an agency of the State, if they (could) not agree." The act permitted the operator to go out of business if he could not operate at a profit under the terms fixed by the Court, and the laborer was permitted to quit if he were dissatisfied so long as he did "not agree with his fellows to quit or combine with others to induce them to quit."

The application of the public utility status to groups not employing property rights in wealth in the exercise of their economic pursuits would appear, under these decisions, to be permitted, but with limitations. There must, hence, be a further refinement before one can ascertain the degree to which public control of a business (an economic calling) can go. It is found in the Wolff Packing Co. case, where the Court held:

> In nearly all the businesses included under the third head above (i.e., those which though not public at their inception may be fairly said to have risen to be such), the thing which gave the public interest was the indispensable nature of the service and the exorbitant charge and arbitrary control to which the public might be subjected without regulation.

The conclusion can be reached that any economic calling, whether involving the exercise of property rights vested in tangible resources or otherwise, in so far as the public decides that its service is indispensable and, in the absence of adequate regulation, the life of the public might be subjected to arbitrary disruption, can be controlled within the jurisdiction of the police power and the general welfare clause without violation of the Constitution. The question leads, therefore, to an analysis of the grounds upon which the Legislature, as Mr. Justice Holmes said in his dissenting opinion in Tyson *v.* Banton, 273 U. S. 418-456, Feb. 28, 1927, can, ". . . subject to compensation, when compensation is due, . . . forbid or restrict any business when it has a sufficient force of public opinion behind it."

This leads to the third feature of the American philosophy of social control that has an important bearing upon the future of Capitalism arising out of the labor-management crises.

This feature involves the conclusion that two fundamental grounds exist for applying the public utility status. This application, as we have seen, may arise due to the development of the economy and may come to any economic calling. These grounds are: (a) that the product or service is a necessity, and (b) that competition is not sufficient (either because it is lacking or excessive) to protect the public against exploitation of some sort.

In the analysis of the conditions determinant of a necessity, the Supreme Court has been nebulous. It has declared the business of fire insurance (German Alliance Insurance Co. *v.* Kansas, 233 U. S. 389-434, April 20, 1914) and cotton ginning (Frost *v.* Corporation Commission) to be affected with a public interest and denied the application of the concept to the resale of theater tickets (Tyson and Brother *v.* Banton, 273 U. S. 418-456, Feb. 28, 1927) and to the sale of ice in Oklahoma (New State Ice Co. *v.* Liebmann, 285 U. S. 262-311).

The Court has maintained (Tyson *v.* Banton) that:

> A business is not affected with a public interest merely because it is large or because the public are warranted in having a feeling of concern in respect of its maintenance. Nor is the interest meant such as arises from the mere fact that the public derives benefit, accommodation, ease or enjoyment from the existence or operation of a business. . . .

But rather (Wolff Packing Co. *v.* Industrial Court):

> The thing which (gives) . . . the public interest . . . (is) the indispensable nature of the service and the exorbitant charges and arbitrary control to which the public might be subjected without regulation.

There are no specific characteristics, other than negative, laid down by the Court as to what constitutes the "indispensable nature" of a product.

From the analysis of the evolutionary character of the public utility concept and the power of the public to apply it to an economic pursuit, however, certain clues to the characteristics of the determinant of the "indispensable nature" become apparent.

In the first place, if a supplier of a service stands in a position where others in the pursuit of economic gain must come to him alone for the service required by their respective endeavors, that supplier has established a monopolistic control and thereby affects the activity of all, public or private. This condition gives to the producer a monopoly of an essential service and was recognized in Munn. *v.* Illinois (94 U. S. 113-154, October, 1876):

> When, therefore, one devotes his property to a use in which the public has an interest he, in effect, grants to the public an interest in that use, and must submit to be controlled by the public for the common good, to the extent of the interest he has created. He may withdraw his grant by discontinuing the use; but so long as he maintains the use, he must submit to the control.

And it must be emphasized that:

> Neither is it a matter of any moment that no precedent can be found for a statute precisely like this. It is conceded that the business is one of recent origin, that its growth has been rapid, and that it is already of great importance. And it must also be conceded that it is a business in which the whole public has a direct and positive interest. It presents, therefore, a case for the application of a long-known and well-established principle in social science, and this statute simply extends the law so as to meet this new development of commercial progress.

In Nebbia *v.* New York it was also held that

> . . . if one embarks in a business which public interest demands shall be regulated, he must know regulation will ensue.

It is clear, therefore, that if at any time the public feels that a calling has become one upon which it is forced to rely without recourse to an alternative it can be declared a public utility. Where, therefore, labor has gained a position of dominance in an industry and can by its own decision affect the continuity of service, prices, and the general welfare of the people, who can deny that it has achieved the status of a public utility and becomes thereby subject to regulation as such? But herein lies the gravity of the situation for the capitalist system.

In the second place, an economic pursuit classified as a public utility must have developed a degree of absence of competition that forces the public to rely on one source of a service without proper alternative. The power of regulation of employer and employee in the Kansas meat packing industry was denied by the Court on the ground that "there (was) no monopoly in the preparation of foods." Mr. Justice Stone in his dissent in Tyson *v.* Banton, said:

> Statutory regulation of price is commonly directed toward the prevention of exorbitant demands of buyers and sellers. An examination of the decisions of this Court in which price regulation had been upheld will disclose that the element common to all is the existence of a situation or combination of circumstances materially restricting the regulative force of competition, so that . . . serious economic consequences result to a very large number of members of the community.

Mr. Justice Roberts in Nebbia *v.* New York extended this principle to include the threat from excessive competition:

> A satisfactory stabilization of prices for fluid milk requires that the burden of surplus milk be shared equally by all producers and all distributors in the milkshed. . . . The fact that the larger distributors find it necessary to carry large quantities of surplus milk, while the smaller distributors do not leads to price-cutting and other forms of destructive competition. . . .

It has been shown here that public regulation can be extended to any economic calling by the application of the public utility status to that calling by a review of the following propositions: (1) That there is nothing static about the public interest concept; it is a product of the extent and character of economic development and not of fixed statutes or public custom; (2) that the concept is not applicable solely to property rights in tangible instruments of production but is applicable to any **relation** between a factor of production and the public that warrants regulation for the protection of the public whose interest is always paramount (3) that it follows logically that any activity in time that develops into the rendering of an essential service in which the public interest is affected by the absence of a proper degree of competition is subject to classification as a public utility and the necessary regulation as such.

These propositions find legal precedent in the opinion of Mr. Justice Roberts in Nebbia *v.* New York:

> Under our form of government the use of property and the making of contracts are normally matters of private and not of public concern. The general rule is that both shall be free from Government interference. But neither property rights nor contract rights are absolute; for government cannot exist if the citizen may at will use his property to the detriment of his fellows, or exercise his freedom of contract to work them harm. Equally fundamental with the private right is that of the public to regulate it in the common interest. . . .
>
> These correlative rights, that of the citizen to exercise exclusive dominion over property and freely to contract about his affairs, and that of the State to regulate the use of property and the conduct of business are always in collision. No exercise of the private right can be imagined which will not in some

respect, however slight, affect the public; no exercise of the legislative prerogative to regulate the conduct of the citizen which will not to some extent abridge his liberty or affect his property. But subject only to constitutional restraint the private right must yield to the public need.

In the current labor-management crises, where social control to protect the public interest is unavoidable, two questions arise from these three propositions: (a) has the labor movement now assumed the character that, as here analyzed, places it in the category of an activity "affected with a public interest" and, therefore, subject to control as a public utility? (b) if the public utility status is applicable to **groups** on a basis other than their exercise of property rights, does the resultant social problem create peculiar circumstances, and if so, what are their consequences to the future of our economic order?

III

The review of court decisions has shown that when the public through its elected agencies decrees, an economic calling may be classified as a public utility (Nebbia *v.* New York) if the regulatory measures "are seen to have a reasonable relation to a proper legislative purpose, and are neither arbitrary nor discriminatory. . . ." The basis for the legislative action involves the question of the degree of necessity of the good or service rendered and the extent to which the public might be subjected to arbitrary action in the absence of the automatic restraints of competition.

The development of economic society changes the status of economic pursuits according to the changing needs of individuals and the control of those needs by special interests. Automobiles in 1900 were little affected with a public interest; railroads in 1815, and electricity in 1882, were in quite a different position relative to the public interest than they are in 1946. It may be concluded, therefore, that any group that through economic change exercises control over a service upon which the public has come to depend is subject to classification as a public utility if the other necessary conditions are present.

Labor unions in certain cases are clearly in that category. The National Industrial Conference Board reported that in January, 1945, the following industries (obviously at present closely related to the public welfare) were operating with 80-100% of their wage earners under written union agreements: agricultural equipment; aluminum; automobiles and parts; clothing (men's and women's); meat packing; newspaper printing and publishing; basic steel; bus and street car (local); coal mining; longshoring; maritime; railroads (freight and passenger, shops and clerical); telegraph service and maintenance; trucking (local and intercity). While the number of workers covered by union agreements is not the same as the number of members of labor unions, the figure does indicate the extent to which labor services are controlled by labor organizations. The degree to which wage rates and labor stoppages affect prices and continuity of service in essential industries represents the extent to which labor policies influence the interest of the public. In this fashion the public utility status of these organizations is clearly evident.

It is needless to argue that the competitive conditions within the industry or between the industry and the union protect the public. The American people, labor and management, must realize that as an industrial order grows, the division of labor progresses until if any area of an important industrial activity comes within the orbit of control of a monopolistic power, the entire undertaking, as well as many related pursuits, is vitally affected by that monopolistic power. Where a segment of an industry is unable to have available an alternative source of supply that competition would provide, the entire industry is effectively monopolized. Monopoly of this sort can stem from concerted human action as well as from the control of property rights in the instruments of production.

It is in this fashion that the labor movement has fulfilled the three essential characteristics in the development of the public utility status: (a) In the normal course of industrial development (b) an economic pursuit has taken on the status (c) of a monopolistic regulator of services required by the public. It is not required, in so far as the significance of the condition is concerned, that the Court approve its public interest status; economic development has created it. Legal sanction of economic reality is not required except by those who seek escape from social responsibility through an appeal to the mills of the legal gods that grind ever so slowly.

IV

But the mere existence of economic reality is not sufficient to command the degree of response by those concerned that is required to insure the protection of the public interest. History has shown this to be true of the use of property rights; it is equally clear in the case of human relations. In a situation of this sort governments must always be poised to act.

But when the public interest is affected by a relation between persons—not an exercise of property rights—the regulatory power of the Government in a democratic state is challenged. The application of the public utility status to a labor union with all of its regulatory features, clearly logical in every legal and economic sense, is estopped by the peculiar implications of the action.

In the first place, the primary problem involved in the application of the public utility status to the exercise of a property right is the determination of a fair return on a fair value of the property devoted to the public use. The long litigation over the determination of the proper method of calculating the rate base illustrates the problem involved. A determination of a fair return for labor by government boards so long as the enterprise is owned by private individuals would involve an unending problem and, of course, it would fail utterly to solve the basic conflict concerning the distribution of returns between the private owners and labor. The application of the public utility status under these conditions and in the absence of the acceptance of a proper degree of social responsibility by the parties to disputes, while recognizing the true and legal nature of the union, would not solve the difficulties involved.

The application of the public utility concept to labor unions would also deny the fundamental grant of liberty insured by the constitution; for as the imposition of the public utility status imposes the duty of continuous service to property rights it would deny the right to strike to the persons involved. This is clearly an infringement on the constitutional protection to individual liberty. Aside from the political inexpediency of the act, we reach, therefore, this impasse: The development of the economy has unalterably placed upon a segment of the society the status of an economic pursuit "affected with a public interest" and, hence, of necessity subject to regulation as such. But the legal framework of the society imposes a condition that prevents the regulation even where that same framework clearly asserts the logic and, from this viewpoint, the legality of the control.

In this situation, failing the development of a proper ideal of social responsibility, there is left only one solution. It is a solution that few in the nation will publicly admit they desire. It is a solution that arises because: (a) The labor-management crises are in essence conflicts between property and human rights that can be solved, without altering the system, only by the development of voluntary acceptance of social responsibility which has not always occurred in the case of property rights, and we cannot assume it will where human relations are concerned; (b) where human relations achieve the status, as property rights often do, of affectation with a public interest, they must be controlled; (c) the control of human relations en masse involves a denial of certain of the basic principles of democratic government.

The conclusion, therefore, is obvious. The only alternative under the circumstances will be public control of the property concerned, and since any private ownership of the industries concerned which are dominated by organized labor will create new crises, the elimination of that ownership will be inevitable. This need not mean that the process will occur by human design; it will be the culmination of a social process where neither labor, management, government, nor the public is sufficiently aware of the logical consequences of its action or inaction. It will be the long run price paid for a short run approach.

It may be objected that nationalization is not a guarantee of continuity of operation and a proper degree of assumption of social responsibility by organized labor. It is true that government ownership is not a cure-all for social conflict except in totalitarian states where the force of dictatorship is a veil for underlying conflict and intrigue. But democratic nationalization will be considered in a different category if we continue to push toward the apparently inevitable culmination of events that we seem to be presently pursuing. Labor's interest becomes the social interest in democratic nationalization; this, of course, is a function of the extent to which labor is able to control the political course of the nation. The labor movement and nationalization are inseparable in England, for example. If long held the ability-to-pay principle of wage determination will lead to this end; for so long as the holders of private property must bargain over the ability-to-pay with unions whose position is essentially that of a public utility which cannot be subjected to the controls required by an industry affected with a public interest there is no way out of the impasse except to eliminate one of the parties, and recent history does not indicate that the power of labor is dwindling. This fact imposes on labor the necessity of realizing the new responsibility that its current position has created.

This conclusion is, no doubt, far removed from the logic and the desire of the great body of workers and government servants. If the diagnosis is sound, it is but another link in the long chain of events which proves that economic policy, often founded on the highest of ideals, when considered primarily from a short run view, leads too frequently to consequences that are the very antithesis of the philosophy of the planners. It is from this source that capitalism is in danger. It is from the long run view that all concerned must act if we are to preserve our capitalist structure. It is not too late to begin that approach, but our failure to do so will lead to the very thing that most of us abhor—the eclipse of capitalism.

Amendment by SEC of Annual Reports Forms

The Securities and Exchange Commission recently announced that it had amended annual reports Forms 10-K and 1-MD so as to secure a current restatement of the general character of the business in which registrants and their subsidiaries are engaged. This restatement, said the Commission, "is rendered desirable because of the major changes in many businesses as a consequence of war activities or occurring in the process of reconversion to peace-time activities. Moreover, in many cases changes not individually significant have occurred over a period of years the cumulative effect of which has been a substantial change in the general character of the business of a registrant and its subsidiaries or in one or more of the major lines of the business. The amendment requires the restatement only for the fiscal year ending on or after Dec. 31, 1945. Where registrants have already filed their reports or are about to do so, extensions of time for furnishing the additional information may be applied for," the Commission stated. The action became effective on May 22.

Should We Make a Loan to Italy?

(Continued from first page)

tion was a comprehensive study setting forth in considerable detail the need for, and the security for such a loan. But no action of any sort has been taken on this application.

In the meantime, Italy struggles along with such help as it can get from UNRRA and the proceeds from the exports it has been able to develop. The day when it can become self-supporting and take its place in a multilateral trading world is postponed. Of far greater seriousness, the struggling new Italian democracy is asked to bear a crushing economic burden, in comparison with which our condition in 1932 looks like prosperity.

The apathy and apparent indifference of the Administration to the issues at stake in Italy is all the more surprising because every argument so forcibly and ably advanced by Messrs. Vinson and Clayton in support of the British and French loans can with equal justice be applied to Italy. The difference is solely one of degree, not of kind.

The American Interests in the Italian Situation

Before outlining Italy's case I should like to emphasize that I am not resting my argument on Italy's needs as much as I am on American interests. Just as it is in America's interest to advance credit to England and France, so it is to extend credit to Italy. Another point that should be made clear at the outset is that I am discussing a *loan* and not a *gift*. Too frequently, the discussion of the British and French loans implied that they were in reality gifts. I will revert to this point later.

Productive Capacity Unimpaired

Italy's economic problem can be presented quite simply. Although the war resulted in enormous destruction in that country—some sources place damage at one-sixth of the national wealth—the *capacity* to produce was not seriously impaired. Thanks to the courage and vigilance of the Partisans, the main industrial plant of Italy in the North was saved from German demolition. The damage to the ports and railroads is being repaired though it will be many years before they regain their 1939 condition. Given good weather, fertilizer, and equipment, the soil of Italy is just as capable of high yields as ever. By general testimony, the people are as industrious and as eager to work as ever.

What, then, is holding Italy back? Quite simply, it is for the most part lack of circulating or working capital, fuel and raw materials. A concern might have the best plant and labor force in the world, but if it has no fuel or raw material, it can not produce nor furnish employment.

Must Export or Die

It has often been pointed out that England must export to live. This is even more true in Italy's case. It has, for one thing, almost no fuel. Its coal is scanty and poor in quality. Its forests have been grievously depleted through excessive cutting. It is similarly poor in raw materials of all sorts, from textiles to iron ore. The economy of Italy rests on the export of labor in the form of processed raw materials and food specialties and the import of fuel and materials.

The situation has been complicated by a food shortage. Normally Italy is fairly self-sufficient in food, when allowance is made for the food imported in exchange for food and drink exported. For the past two years, however, the harvests have been sub-normal for a variety of reasons which include drought, shortages of fertilizer and equipment. For example, the wheat harvest in 1945 amounted to only 4 million tons, in comparison with a normal 8 million tons.

UNRRA Help Insufficient

The current deficit in food is being, at least in part, overcome by UNRRA, although bread rations have had to be cut below the lowest point reached during the war. UNRRA has also been attempting to meet the most urgent fuel needs. For full production Italy needs to import over 700,000 tons of coal a month. For the past nine months it has received less than an average of 300,000 tons. The recent coal strike here will have calamitous results throughout the summer in Italy. It seems apparent that UNRRA can merely prevent conditions from getting worse. It cannot possibly make Italy self-supporting. In any case, UNRRA aid is due to end in six months.

Italy has had no alternative but to accept charity. It would prefer, however, to borrow and this would appear to be in our interest also. In the British and French cases the American Government technicians were at some pains to check on the probable gap between exports and imports and the amount that would be necessary to export to pay for necessary imports. Italian technicians have made preliminary studies on these matters. The Italian Government has suggested, however, that instead of a lump sum advance, a line of credit be opened. In this way borrowings would be limited to what is absolutely necessary and forecasts could be checked against actual experience.

While recognizing the tentative nature of these forecasts, they do provide a useful benchmark of the approximate magnitude of the needs. These estimates, prepared at the beginning of this year, envisaged a two-year period of large imports before Italy's international payments could be brought into balance. Import requirements for the period were calculated at 3 billion dollars to be met roughly by $1½ billion loans, $1 billion exports and $500 million from UNRRA and other sources. After initial heavy requirements are met it was expected that import requirements would settle around $1 billion annually, which could be comfortably furnished through exports and Italy's invisible exports of immigrants' and workers' remittances, tourist expenditures and shipping services.

It is possible that the initial needs have been overestimated. For one thing Italy bids fair to fill its textile requirements through payment in raw materials for the processing of cotton and wool for foreign customers. On the other hand, there is urgent need for modernization of Italy's capital equipment, which should pay off in reduced costs of production. This, however, would swell requirements initially. In any case the estimates are admittedly provisional and subject to refinement. They are sufficient for our purposes in indicating the relative magnitudes involved. They indicate that $1 billion would go far to putting Italy on its economic feet.

Obviously, $1 billion is well within our ability to lend. It represents ½ of 1% of our current annual capacity to produce goods and services. The more important questions that we might well ask are what national interest would we serve by making the loan and what are the prospects that it would be repaid. I shall consider these questions in reverse order.

The Chances for Repayment

A long-term amortized loan, carrying an interest rate comparable to that paid by the United States Government on its borrowings, could be serviced both as to principal and interest at less than $50 million a year. This is only 5% of the anticipated visible and invisible exports of Italy. The important question, therefore, in this context is the goodness of the estimates of exports and the volume of other foreign indebtedness that would require servicing.

Italian Government technicians estimate that $1 billion of imports annually will be adequate to meet the needs of the Italian economy after the emergency period is past. In view of the current trend in prices, this figure may have to be revised upward. To pay for these imports a figure of $850 million of visible exports is posited. In view of the fact that in the period 1925-1929 exports averaged $750 million, this would appear to be an easily attainable figure. Most other countries' exports are running far in excess of 1929 in terms of value.

The invisible exports appear to be equally conservatively estimated. Thus, in four years' time, it is anticipated that tourist expeditions will regain a figure of $75 million. Considering that tourist expenditures in the 20s average $120 million yearly and that incomes are far higher now, the estimate of $75 million should not be too difficult of attainment.

A former good source of revenue to Italy came from emigrant remittances. In the 20s these amounted to as much as tourist expenditures. In the depression they fell to $40 million and have been slow in coming back. A factor affecting this is the expected annual volume of remittances from Italian workers who, it is anticipated, will move in large numbers to France and Belgium. The yield from these two sources in a few years is estimated at $125 million annually.

Merchant Marine Earnings

A final source of exchange that in a few years should once again appear is earnings from the merchant marine. In the 20s the net yield from this source was $50 million. It is especially important that Italy be permitted to re-establish its merchant marine as soon as possible. The Italians are expert and low-cost shipbuilders and ship operators. A substantial element in their estimates of dollar requirements in 1946-47 is for the purpose of paying freights. With the return of certain ships, the repair, completion and salvage of others, and assistance in purchasing surplus ships from us, it should not take long before Italy will be carrying not only its own but also a portion of other countries' goods.

It was mentioned that Italy's other external indebtedness is small. It consists mostly of the unpaid portion of a dollar credit which now amounts to something over $150 million and indebtedness to Switzerland amounting to around $100 million. It should not prove difficult to make a favorable settlement of these debts and the arrears of interest.

Assuming, therefore, a decent level of world trade, which I think we must assume in making foreign loans, and the adoption of wise internal economic policies in which we and the Monetary Fund should be able to give technical advice and assistance, Italy appears to be a good risk for such advances of working capital as are necessary to get the economy functioning again.

The growth of exports, both visible and invisible, is not, of course, an automatic process. The Italian Government must be prepared to take energetic measures to encourage and foster exports and to divert resources away from the starved domestic market. In particular, the exchange rate must be such as to provide an incentive for exports. Unfortunately, that has not been the case to date. Prices have risen further than the Italian exchange rate has fallen. In other words, in relation to 1938, the lire has higher purchasing power abroad than at home. Still another way of expressing the same thought is to say that Italian goods and services to Americans and British are higher in price relative to domestic goods than they were in 1938. This is a matter with which both the American Government and the Monetary Fund might jointly be concerned and could render assistance to Italy in the determination of the proper rate of exchange.

Fiscal Reconstruction Must Be Undertaken

There are other things that must be done by Italy, such as putting its fiscal house in order. Recently only 20-25% of expenditures were covered by receipts, and of the latter too large a proportion represented the proceeds of the tobacco and salt monopolies and the sale of UNRRA goods. It is anticipated that the election and the settlement of peace terms, the stabilization of prices and the receipt of a foreign loan will create conditions favorable to a decisive attack on the fiscal problem.

Assuming, therefore, that Italy is a good economic and moral risk, what have we to gain by making a loan? The gains, from our point of view, appear to be twofold, economic and political.

In the international economic field, Italy in the prewar period followed two policies that are completely and unutterably opposed to our basic foreign trade philosophy. These were autarchy, or national self-sufficiency as far as possible, and for the rest, bilateralism, or an attempt to make trade balance out with each country. Happily, both these policies, associated with Fascism, have fallen in disrepute. All leaders of all parties in Italy assured me that their ideal was an Italy integrated in a freer trading world with goods produced where they can be produced most efficiently and with the largest possible measure of freedom of importers and exporters in buying and selling.

Actually, however, Italy is severely limiting its imports and is striving to produce whatever it can in Italy. It is also concluding a series of bilateral trading agreements. This does not mean that the Italians are insincere in their protestations. In the absence of working capital and foreign exchange, they have, unfortunately, no choice. They *must* cut down imports and limit purchases to sales. The danger to us is that a policy, adopted as a poor but only possible course, may in time become set and be regarded again as a desirable course. Vested interests arise with each bit of protection extended and with the conclusion of each bilateral agreement. We still have the possibility of reversing the trend. It may not be ours indefinitely. If we are going to loan to Italy, we should do it sooner rather than later to get the full benefits.

Benefits To Us

The greatest benefit we would derive from setting Italy on the road to becoming economically self-supporting lies in the field of peace. We cannot, in a world growing smaller with each year and each invention, be indifferent to the attitudes, values and destiny of the 45 million people occupying the Italian peninsula. We have surely learned by now the threat to all constructive values offered by hunger, unemployment and frustration.

The democratic process has weathered its first great task in Italy, but it is still a frail plant, lacking, as in Anglo-Saxon countries, roots reaching deep into the history of the people. We have already imposed grave burdens on the development of the kind of peace-loving, constructive and democratic country we would all like to see Italy become. Despite Italy's contribution to the defeat of Germany, it has had to support to date a large British-Polish occupying force and a smaller American force; peace terms are still not settled, and economic help has been of the too-little, too-late variety.

The remarkable thing is the discipline and restraint exhibited by the Italian people under these most trying of circumstances. Food rations are at the lowest point in recent Italian history; coal supplies permit only sporadic production. The cost of living has risen to 23 times its 1938 level, whereas wages have risen only 13 times. Foodstuffs consume almost 75% of the family budget, leaving little for anything else.

The Preservation of Democracy

Better conditions than these once before led to the overthrow of democratic institutions, to the hopeless acceptance of "the strong man who could get things done." There are today millions of people in Italy who can hardly be blamed for feeling that their condition could not be worse. They will endure it, as they have been doing, if they have hope—if they can believe in the prospect of a steady improvement in their economic condition. If they ever lose that hope and belief, the political outlook will become grim.

It seems at least possible that that hope will be lost if UNRRA is allowed to lapse without an adequate credit having been arranged in the meantime. Time is growing short. It takes time to arrange loan details; more time to plan orders and still more to secure delivery and to ship. If a suitable advance is not made shortly, Italy will face a most difficult winter. Such foreign exchange as it has will go for fuel and food. The process of securing raw material will be slow and painfully spread out with resulting low standards of living, unemployment and the necessity for continued restrictive trade practices.

I am not one who believes that we should grant or withhold loans as a means of bringing pressure on the internal political structure of other countries. This type of dollar diplomacy is dangerous and might become a two-edged sword. A safer and wiser policy appears to me to be to use our enormous economic power to hasten reconstruction and to bring about conditions of full employment and rising standards of living throughout the world. In this way, we strengthen democratic institutions by removing economic insecurity and fear, and we give people a stake in the existing system.

The current explanation offered by Washington for the delay in acting on the Italian loan application is the Soviet, Yugoslav and Greece demand for reparations from Italy. We cannot, it is said, be put in the position of providing Italy with goods to pay reparations.

This argument, while it sounds plausible, will not stand analysis. The reparations discussions have centered around the transfer of certain existing assets. It has nothing in common or in conflict with a credit that will enable Italy to pay for its necessary imports in the future. In other words, we are not being asked to "provide" or even loan goods that will be paid over in reparations. Our concern is that Italy gets back on its feet as soon as possible and that we get repaid. We are naturally concerned to keep reparations as low as possible but the figures currently being mentioned ($300 million as a maximum) are not such as seriously to prejudice our major objectives. On the other hand, every day we delay granting a loan costs Italy heavily in loss of possible production. The cost to Italy in idleness the past six months amounts to many times any reparations figure mentioned.

Inflation in Real Estate Prices

(Continued from page 3476)

built a home some seven or eight years ago which cost him $8,000. A few nights ago a total stranger walked into his house and offered him $16,000 cash on the barrelhead. A country banker up-State told me a story not long ago of a mortgage his bank had held on a farm. The mortgage which amounted to $4,000 went into default some years ago and the bank foreclosed. It was stuck with the property for years. But when real estate began to pick up again the bank spent a couple of thousand dollars improving the property and finally succeeded in disposing of it without loss. The other day this bank received an application for a mortgage of $12,000 on the same piece of property. But that is not so unusual. According to an item I recently saw in the papers one piece of property was bought and sold in the same day at a rise of 100%.

Stories like these must remind us of the sort of thing that happened in Revolutionary France or post-war Germany — the classic examples of inflation. They remind us, too, of the sort of thing that happened in 1929 in the stock market in 1929. Something else that reminds us of 1929 is that, incredible as it may seem, we have so-called experts today who tell us that we are in a "new era" in real estate and that the lessons of past history do not apply. In general there seem to be two schools of thought with respect to the probable duration of the current real estate boom — those who think it will last another five or six years and those who think it will last forever.

Basic Causes of Real Estate Boom

Before trying to decide whether either or neither of these schools of thought is correct, let us turn to an examination of the basic causes of the current boom.

The first of these causes is an actual shortage of housing. This shortage had been accumulating throughout the entire decade of the 1930's. During that period we built an average of only 273,000 new dwelling units a year. This contrasted with a peak construction of 900,000 new houses in the year 1925. The period of the thirties was one of retrogression in housing. In not a single year since 1933 has the number of non-farm homes built equalled the increase in non-farm families, much less replacing over-age and unsafe structures. As a result, by 1940 there were an estimated 7,000,000 slum dwellings or other substandard houses. And it is currently estimated that well over 1,000,000 families are living doubled up. In our own State of New York we need over a quarter-million houses right now.

But the housing shortage cannot be measured solely in physical terms. It is affected also by ability to pay. No one prefers to live in a cold-water tenement or a run-down shack. The increase in national income in the war years would have created a housing shortage, even if the physical supply of houses had previously kept pace with the growth of population. Since 1939 there has been an enormous rise in the ability of people to pay for housing. It should not be forgotten that as recently as 1940 there were 10,000,000 unemployed in the country. Income payments to individuals have increased from $71 billion in 1939 to $161 billion last year. Average weekly earnings of factory workers have gone up from $24.58 in 1939 to $42.14 last March. Beyond that there is an abundance of ready cash. Demand deposits and currency in the hands of the public have trebled in the past seven years. Moreover, the pressure for housing has been suddenly intensified by the end of the war. During the war, while the young men were away fighting, many families doubled up. Young wives took their children and went to live with the old folks. Now the young men have come home. Most of them are getting married or have already married. They want homes of their own in the communities where they plan to live and work.

To add to the difficulties, both labor and materials in the building field are acutely scarce. All this concentration of forces has, inevitably, hit the real estate market with explosive force.

We have here the perfect example of an inflationary condition — an acute shortage of a universally-needed commodity, housing, plus a super-abundance of the means of payment. Little wonder that real estate prices have boomed.

How Long Will It Last?

The question we have to ask ourselves is this: How lasting are these inflationary forces likely to be? Is it to be expected that the post-war inflation in this country will be permanent — that it will involve a permanent loss in the value of the currency as was the case in France after the last war and as is clearly the case in many foreign countries today? Or is this a temporary phenomenon like all our previous post-war price rises?

During and after every past war in our history the general level of prices rose sharply; but in every single case prices ultimately returned to their pre-war level. Sometimes the entire period of decline was relatively short, sometimes long; but in all cases the extreme peak of the wartime inflation was sliced off pretty promptly and pretty drastically.

It may very well be that the general level of prices will rise further before it recedes; but this much is certain: If we do not have a fairly sharp price reaction within the next year or two then we shall have definitely departed from the pattern of all previous wartime inflations — a pattern which has thus far been fairly well adhered to.

Wants No Abrupt Return to Pre-war Prices

Parenthetically I should like to say that if we could indulge in wishful thinking then we should all wish that there will be no abrupt return to pre-war prices. Such a reversal could only be accompanied by considerable hardship in the entire economy. It would make far more burdensome the task of carrying our inflated national debt; it would bring on business failures, unemployment and distress.

But let us return to the real estate picture. We have seen that the current high prices are the result of an acute shortage plus abundant buying power. A good many persons have concluded that these factors are of durable character and that, accordingly, real estate prices must remain high for an indefinite time; certainly at least five or six years. It is argued further that, in any event, the level of pay of building workers is now much higher than in the past; that pay scales have become inflexible and that consequently there is no basis for expecting a reduction in building costs; ergo, prices of real property must remain high.

Let us examine some of the premises. First, as to the existing scarcity of homes. It must, I think, be agreed that it will take several years, at least, to overcome the physical shortage of dwelling units. All other things being equal, the shortage of housing is likely to continue for some time. But, of course, all other things do not usually remain equal.

We have seen that a considerable part of the existing scarcity of houses is due to the fact that people have the income and the savings to demand more and better housing. We can recall that in the Thirties there was also an actual shortage of housing; yet we know that houses of all kinds went begging on the market at a fraction of what it would have cost to reproduce them. People still needed houses and wanted houses but too few of them had the money to buy houses.

Should the level of national income fall materially; should unemployment and depression return, then certainly, we would see a considerable part of the present demand for housing disappear. We would again witness houses being pressed on the market from distress and sold quite possibly at prices less than their cost of reproduction.

Effect of a Post-war Depression

In short, there is nothing in the real estate field that would render it immune from the effects of a general post-war depression.

Here again all of us must hope devoutly that nothing of this sort will occur. But if it is to be avoided we must, somehow, break out of the present stalemate that grips our country. We must get production going and get it going fast. The epidemic of strikes and the growing disequilibrium between costs of production and price ceilings have combined to deny the public the kind of high-quality goods it is eager to buy. Instead, in many lines there is little but shoddy, inferior goods at high prices and black markets are flourishing in all directions.

This situation is threatening to bring on another kind of strike—a buyers' strike. This has already happened in the real estate field on the West Coast. Here is a headline from the Wall Street Journal of June 3. It reads: "Home Buying Strike. Public Balks as Prices on West Coast Houses Double Pre-war Level." The dispatch quotes one Los Angeles broker as saying: "I have clients come in here who say they are sick and tired of answering ads only to learn that some dump would cost three times what it is worth even these days." If that public psychology develops, production may come too late and the long-deferred post-war prosperity may prove short-lived and illusory.

I do not venture any predictions. I merely say that these things could flow out of the confused, muddled condition in which our economy now flounders.

Monetary Inflation at Peak

Following this line of thought, we have to ask ourselves whether the factor of demand on the monetary side is as durable a factor as has widely been supposed. It is true that we have emerged from the war with enormous accumulations of ready cash — money in the bank and currency. This inflation of our money supply was a consequence of wartime deficit financing. But it should be noted that this factor of inflation has now ceased to operate. The national budget is close to a balance. So far from increasing, the debt has actually been reduced in recent months. There is no reason to look for any substantial deflation in bank deposits; but the inflation of the money supply has ended. The fire that has been built will continue to burn for some time but no more fuel is being added to the flame. The pressure in the boiler may remain high; but it is not rising. Historically a continued rise in prices has required a continued expansion of money; when the money supply ceases to expand the price rise is usually near its end.

Now what of the argument that is made to the effect that real estate prices are bound to stay up at present levels or better because high labor costs will prevent the construction of lower cost homes?

It is, I believe, a fallacy. Real estate prices, as I have already pointed out, are not governed by costs of reproduction. All of us know of innumerable examples in recent years when homes of all sorts, particularly in the high price field, went begging at a fraction of reproduction cost. When demand fails, reproduction cost means nothing.

But let us suppose that demand continues keen for many years. Is it still inevitably true that a shoddy, jerry-built bungalow is going to continue to cost $10,000 or more as is often the case today? I certainly hope not. The man who is making $50 a week cannot afford to pay $100 a month for the purchase of a house. If the great majority of American men and women of small and moderate income are to have decent homes of their own, prices must sooner or later come down from their present levels, and high wages will not stand in the way. Since 1920 technological skill has made it possible for the automobile industry to produce a better car at far less cost while virtually doubling the pay of workers.

Home Building Costs Can Be Reduced

Perhaps nothing so spectacular as that is possible in housing; yet there is plainly room for increased savings and increased efficiency. It is said that a substantial $6,500 pre-war house can be built today for $10,000. If, however, in the long run a mass market for $10,000 houses does not exist, ways will probably be found in our competitive system to reduce costs.

I would not be so rash as to predict when the current real estate inflation will come a cropper. But I will assert that there is no solid basis for the assumption that we are in any "new era" or on any "permanent high plateau" in the field of real estate values.

Real estate prices, as in the past, will fluctuate with general economic conditions. If hard times come again real estate will suffer like everything else. Apart from general economic factors, the present real estate market is clearly a product of inflation. Ultimately the factor of inflation will wear off and when that happens, some of the water will be squeezed out of real estate.

We look back upon the Thirties as a period of intense problems. Only within the past few years have our thrift institutions overcome the difficulties of defaulted mortgages and frozen real estate which developed in that period. But the real problems occurred much earlier, at a time when we thought we had no problems. The headaches and heartaches of the Thirties were the product of the mistakes of the boom times before. It was the loans we made when prices were high and everything was booming that caused the sleepless nights years later. Once again prices are high and booming. Once again we are drinking the wine of inflation which will surely give us some more headaches tomorrow.

The immediate desire for expansion of loan portfolios must not blind us to the very real hazards of this time. Our chief reliance must be upon ourselves, upon our common sense, experience and judgment. Upon the degree to which we exercise moderation and understanding in this current real estate inflation will depend our salvation in the years ahead.

Ralph Carr Incorporates

BOSTON, MASS.—Ralph F. Carr & Co., 31 Milk Street, is now doing business as a corporation. Officers are Ralph F. Carr, President, and William S. Thompson, Treasurer. Both were partners in the predecessor organization.

Morgan Stanley Offers Ohio Edison Common

An underwriting group headed by Morgan Stanley & Co. on June 26 offered to the public a new issue of 204,153 shares of common stock, $8 par value, of Ohio Edison Co. The stock is priced at $41.25 per share.

The company will use net proceeds from the sale of the stock, estimated at $7,961,784, for the construction of additions to its properties. During 1946 approximately $5,000,000 is expected to be spent for ordinary property additions. During 1946 or immediately thereafter the company expects to spend another $7,000,000 for the installation of approximately 55,000 kilowatts of additional steam-electric generating capacity.

In addition to the shares now being offered, the company has outstanding 1,795,847 shares of common stock, all of which are owned by The Commonwealth & Southern Corp. Ohio Edison in turn owns all of the issued and outstanding common stock of Pennsylvania Power Co.

Ohio Edison generates electric energy and distributes it in 236 communities in Ohio, including Akron, Youngstown, and Springfield, as well as in rural areas. The company also sells electric energy at wholesale to ten municipalities and four other electric companies in Ohio.

Transfer Curb Membership

At a regular meeting of the Board of Governors of the New York Curb Exchange held June 19, announcement was made of the transfer of regular membership from Arthur W. Pearce to Leonard B. Geis of Newburger & Hano, Philadelphia, Pa.

The board also approved the election to associate membership of the following to become effective July 1, 1946:

Louis Orchin of Kalk, Voorhis & Co., New York, N. Y.

Richard D. Frankenbush of Frankenbush & Co., New York, N. Y.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market now down more than 10 points from level at which selling was advised. See some support just under 200 but not enough to go long.

Remember how that one word "inflation" was going to change everything; how it would take a stock selling at 10 and boot it up to 30 or 50, or even 100? Well, that was last week, and the week before. Today, there are some doubts. Maybe there is something wrong with the market? Maybe the mysterious "they" who are responsible for everything you guessed wrong about, are doing some selling? Maybe this; maybe that. You can get ulcers worrying about what these omnipotent "they" are doing and still lose money.

* * *

Last week when the column was written the industrials were selling at about 210, and the so-called conservative forecasts called for a rise to about 230. Of course these were couched in elegant phrases. They pointed out that business indications were good and that for the long pull everything would be just lovely.

* * *

Me, I don't know anything about the long pull and whether it will be lovely or not. All I know is that weeks ago when the averages first crossed 210, I saw something rotten and it wasn't in Denmark. At that time there were a lot of explanations about strikes and then the failure of the Case bill to become law. In fact if you were bullish you could get all kinds of reasons why you should continue to stay bullish and the little flies in the ointment, like strikes, etc., were just temporary affairs. In any case I advised readers to take advantage of whatever strength there was by getting out.

* * *

I was fully aware that cash was cheap and stocks might go higher. I even said that I didn't expect to get the top eighth and used an old Wall Street cliche, "Bulls can make money; bears can make money; pigs can't," to illustrate my point. I don't know how many readers followed my advice and frankly I don't care. I still get paid.

* * *

Well, all through May and June the averages didn't better the 210 figure by much. On May 29 they managed to cross 212, but that was all.

* * *

The rails, however, managed to get through to new highs and enthusiasm started again. In commenting on the rail action I warned that despite the confirmation of one average by the other, it didn't indicate the start of a new bull market.

* * *

In the past few days you saw the market dwindle down to under 200 and the cries of anguish started rising. Some of the choice explanations had something to do with the OPA and price control. Anybody who can read knew very well that price control was over. It was just a question of time. Others blamed a pending buyer's strike. And so it went.

* * *

I have repeatedly said I don't know the reasons why the market goes down or why it goes up. I have also said I'm not concerned with reasons. I prefer profits to explanations. The market in its own way had said there was trouble ahead. That was enough for me. The "whys" and "wherefores" I leave to others.

* * *

I do know that we are not getting production. I also know that this lack of production is bound to be reflected in income statements. When that reflection comes along I won't be surprised. I intend to recommend buying then. Meanwhile I intend to sit pat and let the others worry about what to do next.

* * *

A few weeks ago I implied that if mechanics permitted the time was ripe for short selling. If anybody went short I suggest that they note that the averages are now down to the early April support point. This doesn't mean that a solid base is forming. But it does mean that a warning has been posted.

* * *

Where new buying is concerned I still see no reason to hop in. Maybe before the next column is written it will be time. I will, however, have to see much more positive action than I have seen up to now.

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Allen & Co. Offers Benguet Consol. Mng. Stock at $3 Per Share

Public offering was made June 21 by Allen & Co., as sole underwriter, of 702,302 shares of capital stock of Benguet Consolidated Mining Co., Philippine Islands. The stock was priced at $3 per share. The offering does not represent new financing by the company; the shares offered being part of the holdings of Allen & Co., who will retain 534,967 shares for investment.

Benguet Consolidated was organized in 1903 under the laws of the Philippine Islands, and was engaged at the time of the Japanese invasion, principally in the business of mining and milling gold ore in the Philippines. Benguet was the second largest gold producer under the American Flag. It had an unbroken dividend record from 1916 up to and including the third quarter of 1941, during which period the company distributed in excess of $36,000,000 in cash dividends, in addition to 11,000,000 shares in stock dividends. Their largest cash distribution was $5,100,000 in 1939, plus 100% stock dividend. Sole capitalization consists of 12,000,000 shares.

It is also engaged in the mining of chrome under an operating contract with Consolidated Mines, Inc., whose properties contain the largest known deposits of refractory chrome ore in the world. Shipment from these properties to the United States began in March, 1946, and are scheduled to continue monthly.

Due to the Japanese invasion, no mining operations have been conducted since December, 1941, but rehabilitation work, in which more than 1,000 men are engaged, is now in progress. During the normal operations of these mines, approximately 10,000 men were employed. The company estimates that it has more than sufficient cash on hand for its rehabilitation. By reason of its war losses, the company expects to recover a substantial sum under the Philippine War Damage Bill recently signed by President Truman. Its claim will be in excess of $10,000,000.

Economic Prospects and Economic Morals

(Continued from first page)

Backlogs

The first of the two economic facts is that we are far from having made good the great shortages in durable goods which accumulated during the long national defense and war period. We have houses to build, house furnishings to supply, automobiles to produce and factories to re-equip and modernize. We have considerable amounts of public works the construction of which was deferred during the war period. Finally there is an indefinite amount of foreign demand for our goods—a demand limited only by our willingness to lend or give foreigners the money to pay for them.

Money Supply

The second major economic factor is that before and during the war period we created a great pile of stuff which we call money. It consists of coin and paper currency outside of banks plus the demand deposit liabilities, or promises to pay of the commercial banks. The latter is the major part of it. Many people do not realize it but since 1933 we have multiplied the supply of this money six times. We have multiplied it three times since 1939. The result is a pile of paper claims against non-existent goods.

You all understand, of course, that we have expanded the money supply by first printing government bonds and then lodging them with the commercial banks. The acquirement of such bonds by the commercial banks is matched by the creation of bank promises to pay — that is, deposits — which promises we transfer to each other as money, but against which there are not equivalent goods for exchange, present or prospective.

Abnormal Boom

But in the meantime the presence of that excess supply of money, plus the big demand for accustomed goods, constitute the factors out of which a period of high-level production and rising prices of an abnormal or boom sort, is the usual expectation. This is so true that business analysts with whom I talk from time to time do not fight about it very much. They turn, as we must do, to considering the extent to which the otherwise expected period of high production may be affected by what some of us call the framework factors—that is, the direct or indirect compulsions by government incorporated in public policy. Secondly, they consider whether the prospective boom, supposing we have it, can be perpetuated. Finally, they consider, supposing the boom must end, what kind of a world we will find ourselves in then. This last is almost exclusively determinable from consideration of the framework factors alone.

One could be over-optimistic in holding that nothing could prevent us from having a period of high production. But we have already seen strike interruption of production in proportions approximating civil revolution. The long apathy of the public has meant, first, that these strike stoppages of production have been the socially permissible and regularly practiced prelude to governmental appeasement of strike demands. To labor leaders prevention of production by strikes to the injury of the innocent became the proven, if heartless, way to get what they wanted in the course of their rivalries. In recent weeks, this apathy and these conditions may have experienced the beginning of a reversal. But until we are sure, we must not dismiss the possibility of more or less continuous strike-prevention of production.

Aside from that, there are good reasons for believing that production will go forward. We should remember first, that the demand for goods which has accumulated is a demand for goods that people know about, like those they have owned previously, that they believe are necessary to them and that they know they want and think they can afford. The present big demand can almost be characterized as a "sure thing" demand. I do not, for example, find people in industry who have much doubt of their ability to sell nearly anything they can produce.

Secondly, it is well to remember that to meet this demand it is not necessary to invest over-large sums of money in new tools of production. The facilities for producing the wanted goods are mostly in existence despite need for renovation and modernization. This is important because it means that the production of wanted goods is cut free in a certain measure from the effects of direct and indirect profit restriction by Government. It is perfectly true that people do not invest their money in production facilities except in the expectation of making a profit. But once they have turned their money into bricks and mortar they have irrevocably given a hostage to the future and must then face the fact that ours is not only a make-a-profit economy, but it is also an avoid-a-loss economy. This means that even though profits are small or absent, exisiting production facilities must, in order to minimize losses, be operated to whatever extent customers will buy. Perhaps I can illustrate my point by remarking that, again in industry, I hear no talk of stopping production in general because profits are unsatisfactory. It is quite true that preference is competitively required to be given to producing those items where the most profit, or least loss, is to be experienced. But production, within existing capacities, will go forward, I am sure, as long as customers will buy, even with depreciating money, and as long as the act of producing means that the loss will be less than the loss resulting from closing down.

In that respect I doubt that the authorities who have been manipulating a notable price-wage squeeze of profits, aside from such as may have subversive intent, will pursue the squeeze to the point where there is greater loss in operating than in closing down.

I conclude, therefore, that since the demand is for accustomed goods, since the facilities for producing them are already in existence, and since we have artificially multiplied our money supply, we are fairly sure to have a period of substantial, even boom, production.

Timing the Boom

The next question which naturally arises is whether such a boom is likely to continue forever. The boom we are entering is, in my opinion, essentially a paper money boom and the record of history is universal and uniform that those sorts of booms always come to an end. The record is also substantially uniform in indicating that the longer the boom is fed its paper money diet, the more serious is the subsequent economic indigestion. That any such boom must sooner or later collapse is also to be concluded from close reasoning about its technical nature, but to do which we do not now have the time.

We come next, then, to the more difficult question of just when the prospective boom will come to an end. To me the most fundamentally valid answer is that it will

come to an end when expansion of the supply of money in use has been terminated, for that has been the manner in which previous booms have eventually met their Waterloo. But that again is no answer because we do not know when the monetary inflation is to be terminated, or how much of previous monetary inflation is yet to find its delayed expression. The reason we do not know these things is, to put it harshly but accurately, that money in America has largely become the plaything of politics. We long ago cut loose from gold and made it a crime for citizens to possess or use gold for money. We have established no other non-political base for or check upon stability in the money supply. We have, moreover, through wage, price, production, ration, subsidy, trade, and tax controls substantially substituted bureaucratic for voluntary and competitive decision as to how the money, once issued, is to be employed.

In this connection it is to be noted that our fiscal and monetary authorities seem to have dedicated themselves to perpetuation of artificially low interest rates. We may squirm and try to wriggle out of it as much as we can but in the end we must face the inevitable conclusion that the only possible way to keep money rates artificially low is to supply new money faster than people want to or are allowed to use it.

Next it should be noted that even with a federal budget in balance there is outstanding, nevertheless, a huge quantity of war savings bonds bearing unattractively low interest rates. These bonds are cashable at the holder's option. If they are cashed one of the reasons is likely to be that the interest rate is unsatisfactory to the holders. Therefore, in maintaining an artificially low interest rate, expediency may dictate that the refinancing be partly accomplished by putting additional bonds into commercial banks. This will, of course, further multiply the money supply. We must face the grim fact that an easy money policy and a "print-the-money" policy are essentially the same thing.

These several factors suggest that the termination of expansion in the money supply in use may be further away than American precedent would indicate. Moreover, this concept finds fortification in political reliance on the previously noted-basis for expecting large scale production for a while. Group thinking is nearly always short-sighted. Hence any popular urge to do something promptly about the root cause of our monetary difficulties must be undermined by the probability that at least for a little while everybody will seem to be happy. This enables our policy makers to proceed about as they wish and regardless of the grief they may be building up for the future. "After me the deluge" is still practiced as a political axiom; and the fact that the future generation has never done anything for us too often obscures the fact that it is only to future generations that we can ever repay what we got from past generations.

After the Boom

But supposing we do have a boom for a while, and then that boom comes to an end: What then will be our situation? My own thought is that it can be very serious. The basic reasoning behind such an attitude is neither difficult nor lengthy. Thus if we go through the reconstruction period with a continuous squeeze on profits; if, in addition, we keep taxation of income from investment steeply progressive; then we still will not, as I have pointed out, too greatly interfere with the back-log production of customary goods with existing facilities. But what we will have done will have been to have sadly and seriously undermined the incentive to invest in new or expanded enterprise. Yet it is only by investment in new and expanding production for market that new, self-sustaining, productive jobs can be created. These latter are precisely and exactly what we are going to need desperately as our workers finish making good the shortages in customary goods.

New self-sustaining jobs come only from new productive investment. When some John Jones invests his money to build a corner store there is a new clerking job for some John Smith thenceforth to fill. By the productive investment of money the environment is created in which people can go to work and produce the marketable values which will cover their continuing wage. Ponder as one will, there is no other way to create in America a new self-sustaining job. Yet new jobs are becoming more necessary than ever before. This is not only because old jobs will disappear as shortages are made up in old goods; it is also because incentives are now present for employers to minimize the number of workers they hire. Thus labor is very costly and undependable for continuous service. Interest rates are low, thus inviting manufacturers to replace labor with labor-saving machinery on borrowed money. Labor saving should never be condemned because it is prerequisite to economic progress: We cannot produce more and better goods unless by increased efficiency we can produce an existing quantity and quality of goods with less labor. But with labor once freed, that labor must become chronically unemployed unless there is job-creating investment to match the job-diminishing investment.

The second reason why the depression into which we may fall could be pronounced and prolonged is that having entered that depression in a period of artificially low interest rates there can be little if any possibility of further lowering of rates to reduce interest costs on long-time projects and so to stimulate their initiation. We will have shot our bolt to aggravate a boom instead of saving it to ameliorate a depression.

The third reason why the depression may be serious is to be found in the unparalleled rigidity of wage cost, which is about three-quarters of all costs in America. Thus as demand recedes in the depression it is almost certain that organized labor will bitterly resist a reduction in wage cost to permit prices to shrink and profits to stimulate at the very times when these will be most needed to offset the otherwise shrinking volume. So, instead of balanced reductions all around to sustain as much production and employment as possible, we are almost surely going to take our licking in the form of reduced production and mounting unemployment.

On the other hand, certain vicious, self-stimulating spirals of deflation are likely to be less evident in the forthcoming depression than in past depressions. Our stock market, for example, is on a cash basis. This means that as people sell their stocks the money is not extinguished by using it to pay down the bank loans. Instead the money can be retained by the seller of the stock to spend if he wishes. This is in marked contrast to the 1929-32 situation where a record-breaking liquidation of bank credit meant that people were extinguishing their money by using it to pay down bank loans that washed out of existence the corresponding deposits we use for money. On balance there resulted a major, shutting off of money return to market in the purchase of goods and services.

Next it is to be noted that much of our demand deposits is based on bank holdings of Government bonds. The banks are stuck with the bonds and cannot sell them in great quantity. This means to me that a general and self-energizing vicious spiral of bank credit disappearance is likely to be less evident than on previous occasions. Banks will be unable to engage in a competitive race for liquidity. This, by the way, is about the only meritorious consequence of our fiscal and monetary policy that I have been able to detect.

Well the natural question is, what is to be done about all this. As business men our duty, it seems to me, is obviously to keep ourselves as much aware as we can of the possible or probable developments which lie in store for us. Then we have to shape our own company policies to meet the envisioned circumstances. This is a cold-blooded proposition that is ever-present and indeed constitutes a large part of intelligent management and industrial statemanship.

There is, however, another side of the matter for which we have responsibility not as businessmen to our employers but as citizens to each other. This leads me to a brief consideration of the framework factors which I have thus far touched upon but lightly. I think those factors will determine the kind of country in which we and our children will live out our lives.

* * *

The Crisis in Economic Morals

I think more and more people are concluding not only that we have a political and economic crisis but that underlying this there is a deeper, moral and cultural crisis. That crisis is in the realm of ideas or ideologies, of fundamental social and even religious faiths. It is a war between concepts conerning desirable ways for people to live together under government, and of the relationships of the governed to their government. We have need to reestablish the principles underlying the wholly abnormal but extraordinarily successful American way of life if we are either to preserve it or to abandon it with knowledge of what we do. For those who doubt the wisdom of spending time on social or moral faiths I can only say that in my judgment on the outcome of the battle of ideas will depend the future material well-being of our people. The outcome has more to do with the long-time real income of all of us, if you wish to be savagely mercenary about it, than anything else of which I am aware.

Evolution of Our Abnormal Economic Framework

I guess the beginning of the American experiment started with Christ, who taught the independent worth of each individual. That must have been a strange and revolutionary doctrine for it is in conflict with the established laws of biology upon which racial survival rests. Let me sketch briefly why the idea of independent worth or, as we call it, individual liberty and freedom, is in conflict with biological law. I think it the quickest way to depict the sharp lines of the intellectual battle.

Man, we all understand, is born with capacities for pain or pleasure and for their anticipations as fear and hope. In a non-religious sense he and his survival on earth are completely controlled by the functioning of these innate capacities. His hungers, for example, drive him to exploit his environment in satisfaction of his needs, without which he must perish; but he is self-limited, and so self-preserved, in doing this by pain he may encounter and dislike of mounting, over-exertion. Each one of us carries within himself what economists call a demand curve and a supply curve. Our appetites and hopes are the demand, our exertions the cost of supplying it. They will balance at the point of maximum satisfaction in terms of the exertion to supply it.

You can prove this on yourself by setting a bowl of candy across the room. Each time you want a piece you walk across and get it. A time will come when the additional piece and the satisfaction it gives are not worth the effort of walking across the room to get it. But put the bowl on the table beside you—you will find that with the diminished exertion of getting it you will eat more. You may even keep at it until you encounter an abdominal pain deterrent! A basic law rooted in biology is that men seek to exploit their environment to satisfy their wants with the minimum exertion.

But it is a grim fact that to each man his fellowmen are part of the environment to be exploited for survival and satisfaction of want, even though ultimate survival of all rests exclusively upon exploitation of natural resources.

Next we may note that there is variation in the characteristics of species — another requisite of racial survival rooted in biology. This means, as everyone knows, that different people have different capacities for this or that endeavor and equally have different ambitions or desires. But this, in turn, means that in any community there will always be some who have greater lust for power over their fellowmen and equally have greater capacity to secure and organize that power. As rulers they can live by coercively exploiting the endeavors of their fellowmen as the way of life affording them the maximum satisfaction for the minimum exertion. Such exploitation in history has covered the range from petty graft to human slavery.

Nature of Coercion

But of what does power over another really consist? Since behavior is ruled by pain and pleasure, by fear and hope, power to coerce another ultimately comes down to capacity to introduce pain and deprivation into the individual's environment. Without it no person can ultimately coerce another or compel him to do anything whatsoever.

It is this power to hurt and to take without paying that is sought by those who would rule; when they get it they are the rulers. In short, they are government. The modern names for the ultimate coercive powers are, of course, "fine," imprisonment" and "execution." In earlier days the list included torture and the prolonging of painful death to the extent that cruel ingenuity could devise. Long ago these were abolished in civilized society only to be reintroduced by the barbarian regimes with which we have recently been warring.

A Government Monopoly

Government in organizing the instruments of coercion disarms and deprives all others of similar power. For example, you cannot spank your child except by tolerance of government, and you are prevented from doing it too hard by the government's superior power to coerce. Government possesses the monopoly of coercion; government and compulsion are philosophically identical.

The Normal Society

Granted the biological law of variation in characteristics, it then follows, as night follows day, that the most normal form of society on earth is one in which a few with extraordinary capacity to do so have secured unto themselves and successors this monopoly of coercion and through it they rule and exploit the rest. Casual inspection of history reveals this to be the typical and natural form of society, from the nomad chief, through the "divine" king to the modern dictator. It is the form that conforms to biology; it is the form to which others tend to be dragged back; it is the society in which most babies are soon taught—the new word is "indoctrinated"—that their lot in life is to think and to labor as they are commanded by their rulers under threat of deprivation, pain and death.

With this in mind we may perhaps understand how radical and revolutionary—and how abnormal too—was the doctrine of individual worth and personal freedom. We can understand how equally natural it was for the totalitarian dictatorships to reappear. And we can understand too why those regimes must bitterly resist the Christian doctrine until and unless they can employ its religious hope and fear with respect to post-mortem status to reinforce their mortal coercions.

Institutions for Freedom

For seventeen centuries after Christ western culture sought institutional means of implementing His revolutionary concept of individual worth. The implementation was but slowly evolved. It was gradually discovered that basic implementation was to be found in practicing and enforcing the Golden Rule, but stated in the form of a double negative. It was found that to give dignity and liberty to each individual it was first necessary to protect him from coercion—that is, injury and predation—by others. "Do not do to others what you do not want them to do to you," was the statement which proved capable of institutional implementation.

John Locke finally phrased it as moral law in words like this: There is an inner reason which "teaches all mankind who will but consult it that, being all equal and independent, no one ought to harm another in his life, health, liberty or possessions." Locke died seventy years before our Constitution was written, but many people consider him its philosophical father as Christ was its spiritual father.

The Fundamental Distinction

If no one is to harm another in his person or property, that is, if no one is to coerce another and all are thus to be free, then there must of course, be government coercion to prevent the strong from despoiling the weak. The monopoly of coercion—the police power—is thus present in every ordered society whether it be barbarian and totalitarian or whether it be Christian and civilized. But the tremendous distinction between the two societies is as fundamental as it is too dimly perceived by too many. That distinction lies in the purposes for which government's monopoly of coercion shall be employed. One purpose is illustrated by all the normal societies on earth and in history. It is not only to maintain order between people; but it is also to secure those who govern in the continued exercise of the power; it is for them to despoil some of the governed in order to buy political obeisance or armed support from the rest; it is to rob Peter to pay Paul; it is to attack and destroy opposing leadership before it can be organized; it is to be employed as those

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who wield it see fit to wield it in gratification of lust for power; and it is in that lust and still further to fortify their position of domestic domination that they must often tend to lead their people into war. The origins of war lie within rather than between countries. War is the external manifestation of the internal growth of coercive power. It is axiomatic, even in America I may say, that nearly always the first use to which those who govern put the power they possess—if they can—is to entrench themselves in its exercise and to expand its scope. Power feeds upon power; that is a law of nature.

The opposite employment of government coercion, in defiance of the laws of nature, finally had glorious fruition in the American society, where, however incongruous it may sound in an assemblage of hard-headed business men, the Golden Rule was at least implemented among men. It was implemented by enforcing it in the double negative so that free men could voluntarily practice it in the affirmative if they desired.

In this society the significant decision was that the monopoly of coercion held by government should be used for no other purpose than to prevent people from coercing each other, thus establishing among a numerous people what I like to call the "voluntary" society. The "pay-off" in mounting material well-being for adopting and adhering to this basic morality has been little short of a miracle. Why this is true and indeed why it must necessarily be true is not difficult to comprehend and to demonstrate; but that inquiry, also, is beyond the scope of these brief comments. Whether you love money, or whether you love morals, understanding and good sense dictate the same course of action; but I think most Americans would rather be right than be rich.

The Constitution embodied the great Christian but biologically abnormal doctrine by which we in this country have lived. The reason that it is a great document is that it sought throughout to confine government coercion to the preventing of coercion between men — coercion was employed only to cancel out coercion. The Constitution bristles with prohibitions upon the exercise of government power; checks and balances are built into it to inhibit power's feeding upon power; terms are placed upon offices so that people in them can be got out of them before they become permanently entrenched. The Bill of Rights, like that other great moral document, the Ten Commandments, is mostly a series of negatives. It is primarily a list of don'ts. It is the Golden Rule stated and enforced in the double negative. Though negative in form it is one of the great constructive documents of all history. When there is superficial demand for so-called "constructive" statements or "positive programs" it is well to remember the largely negative nature of the Ten Commandments and of the document on which our remarkable society is founded.

The Nature of Freedom in America

I think I can funnel all this down to a statement that the great intellectual need in America is for a rediscovery of the real meaning of individual freedom in America. It is a rediscovery which must include realization that a society in which individual freedom exists is utterly abnormal and that eternal vigilance is really and truly the price of its perpetuation. It is rediscovery that we live as Christians behind a dike of morality that holds back the beastly and barbarian; that it is terribly easy and wholly natural for a small leak in the dike to become a destroying flood. It is a rediscovery which must comprehend the means by which individual freedom can be implemented and the concept must be held with sufficient clarity to serve as a yardstick to measure those things which promote or undermine freedom. If we ever lose freedom in America it will be by a series of so-called practical measures and power extensions to meet particular situations or emergencies as we see them. But the word "practical" will have been used as a rationalization for abandoning basic principle, instead of in its true sense, which means to bring practice into conformity with principle. It will be because we think we can stand a few leaks in the dike without really risking a flood—and will then find we have been fooled.

The key to it all is whether coercion by government will be kept confined to preventing fraud, predation, coercion and monopoly abuse between citizens, or whether it will be let loose for other seemingly benevolent purposes only to grow by leaps and bounds as each new coercion creates the conditions to deal with which still further coercions seem required.

A notable example of coercion breeding more coercion occurred while this statement was being prepared: Railroad union power to injure the innocent by nationwide strike was being exercised. The President asked Congress not to eliminate that power to injure at its root but to give him a greater coercive power to draft strikers to labor as he directed under military law with its most serious penalties for disobedience.

Freedom in America means not only that no man must injure another in his person or good name, or take property from him, without his consent; but also and most especially it means that not even government must do these things except for the purpose of preventing some from doing them to others. It thus means that what is to be produced, by whom, where, when, how, in what amount, and at what price or wage is ever to be left to the voluntary and competitive decisions of the people concerned. It means that each man is entitled to the fruits of his exertion and voluntarily to exchange them as he sees fit for the fruits of others efforts.

Leaks in the Dike

Already we have slipped far from this standard. Let me briefly illustrate: Take price control which is in the spotlight. Stripped of legal paraphernalia, what it comes down to is that the government's power of coercion is delegated so that one man may say to his neighbor, "You must give me what you have produced for less than others would voluntarily and competitively pay or else you will be hurt or deprived of your property—that is jailed or fined." This is nothing but a species of coercive robbery. It is predation backed by government. It is not in the public interest, because public interest includes everybody's benefit; whereas this is barefacedly the coercive despoliation of some for the supposed benefit of others. It is bad morals. It is, incidentally, very bad economics because it either prevents production of else results in wasting valuable resources and manpower.

Take subsidies or any other form of government gift. Since government cannot give away anything except that which it first takes by compulsion from others without paying, the virtue of its giving is cancelled out by the sin of robbing. Charity when coupled with coercion is no longer charity. At best it is capitulation to Robin Hood romanticism. The Golden Rule cannot be practiced in the affirmative if doing it requires its violation in the double negative. Charity must ever be something *voluntarily* bestowed beyond the dictates of justice. It should be left to the voluntary institutions of society and never coupled with coercion. It is the failure of many people of good will to perceive this simple truth which leads them to endorse so-called social legislation, never realizing they are violating rather than subscribing to Christian faith; and, I fear, still less perceiving that once they let coercion loose for so-called benevolent purposes they risk the loss, perhaps forever, of individual freedom on earth.

Take taxation. Taxation can only be preserved on a basis of voluntary consent when the voice in determining the tax imposed is proportional to the burden of tax imposed. If everybody has the same vote in determining the tax, then everybody should be equally burdened by the tax voted. This was originally provided in our Constitution. But when, under the 16th Amendment, majorities vote taxes upon minorities instead of voluntarily upon themselves we have substituted for taxation by consent the coercive despoliation of some for the supposed benefit of others. We destroy taxation by representation of those who pay the taxes, to secure which we fought the Revolutionary War. For it we substitute the tax tyranny of those who benefit from rather than pay the taxes. We permit those in office, by tax discrimination and fiscal gerrymandering, to purchase their own perpetuation in office from the short-sighted.

Take monopoly abuse. Long ago we decided in this country that monopoly abuse was a form of coercion. We decided we would have none of it, and outlawed it. But we have reintroduced monopoly abuse, thinking we were being benevolent, and on a larger scale than ever before. We backed it up with the coercive power of government. We did not think that in granting monopoly power to those who were to be the beneficiaries of its exercise, the coercive power would, like all power, feed upon itself until it came to menace, as we have recently seen, our whole industrial structure. There is no great difference between a commodity monopoly and a manpower monopoly, except that the latter more greatly promotes its selfish purposes by destroying production, by injuring the innocent, and by defying the government with demagogic argument. Since production is good and its prevention is evil, the collusive prevention of individuals from competing in producing as they may individually desire, is therefore one of the gravest assaults upon the Christian and American civilization. I do not think it will be resolved, if ever, until the right to quit work (within the contractual terms of the employment) is distinguished from what has come to be regarded as the sacrosanct right simultaneously to stop working without quitting, and until the latter is reexamined in the light of basic moral attitudes towards the employment of coercive means to hurt innocent people for personal or group gain.

Let me give you one further illustration and then I am through. Consider the basic proposals of our economic planners. Practically all of them, so far as I can see, finally come down to having the government engage in the equivalent of printing and distributing money on occasions deemed advisable by the planners; then on other occasions the money is to be taxed back and withheld from circulation or extinguished. Let us examine the morals of this. They are easy. When money printing is conducted as a private enterprise we put the counterfeiter in jail. The reasons are simple and they are good. He is engaging in both deception and robbery. The morals of it are obscured but not changed when the government does it. Look at the tax side of it: taxes are what we pay the government for conducting certain required services. If the government takes our money in taxes but does not deliver the equivalent in services, then that too is the moral equivalent of robbery. No lasting benefit can ever come to our country from coupling the coercions of government with the morality — or rather, immorality — of the robber, no matter how closely it be cloaked in the trappings of "do-good" benevolence.

These are but brief illustrations of the applications of underlying moral attitudes and social faiths which, however dimly remote and intangible they may seem, nevertheless constitute the realest thing there is about the unique American society. These moral attitudes are our true foundations. We have not been vigilant. We grew up taking those foundations for granted. They have already been subjected to considerable erosion. They are in need of reconsideration and strengthening if they are to endure and if this strange society of free and Christian men is to be maintained. Failing that we must, I believe, returning to cold-blooded business appraisal, make up our minds that in the next decade there will be occasion for great strides to be made by America in relapse into the utterly normal and wholly barbarian type of society with which we have recently been warring. Then everything will be quite normal — but I don't think it will be too happy for most people.

In summary, then, it seems to me that the outlook is for a period of abnormal activity. It's duration is in doubt — it may be weeks, months or years. It is in doubt

because the forces at work are largely political as distinguished from what we are accustomed to think of as economic. Though the boom's duration is in doubt its ultimate termination is a certainty with the further probability that the longer the boom is aggravated by monetary inflation the more serious will be the inevitable aftermath. Underlying the boom, and dominating its aftermath for generations to come is the fundamental question of whether Americans think their voluntary society of free men, however abnormal and difficult to preserve, is nevertheless worth the effort of understanding it, of restoring it, and of preserving it.

Extend Exchange Time on Colombia Bonds

Holders of Colombian Mortgage Bank Bonds were notified on June 26 that the time within which they may exchange their bonds and the appurtenant coupons under the offer of June 25, 1942 for Republic of Colombia 3% External Sinking Fund Dollar Bonds due Oct. 1, 1970 has been extended from July 1, 1946 to July 1, 1948. The announcement says:

Bonds affected by this offer include the Agricultural Mortgage Bank Guaranteed 20-year 7% Sinking Fund Gold Bonds, dated 1926 and 1927, due April 1, 1946 and Jan. 15, 1947, and Guaranteed 20-year 6% Sinking Fund Gold Bonds, issued August 1927 and April 1928 and due Aug. 1, 1947 and April 15, 1948.

"Also included are Bank of Colombia 20-year 7% Sinking Fund Gold Bonds of 1927 and 1928, due April 1, 1947 and April 1, 1948, and Mortgage Bank of Colombia 20-year 7% Sinking Fund Gold Bonds of 1926 and 1927, due Nov. 1, 1946 and Feb. 1, 1947, and 20-year 6½% Sinking Fund Gold Bonds of 1927, due Oct. 1, 1947.

The extension offer also applies to the Mortgage Bank of Bogota 20-year 7% Sinking Fund Gold Bonds of 1927, due May 1 and Oct. 1, 1947.

The period for exchange of Convertible Certificates for 3% External Sinking Fund Dollar Bonds of the Republic due Oct. 1, 1970 in multiples of $500 principal amount has also been extended from Jan. 1, 1947 to Jan. 1, 1949.

Copies of the offer may be obtained from The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, N. Y.

FR Corp. Common Stock Offered at $5.85

A group of underwriters headed by the First Colony Corp. on June 21 offered to the public 175,000 shares of common stock, 50 cents par value, of the FR Corp., manufacturer of Scoop, a chemical compounded detergent. The stock was priced at $5.85 per share. Of the total number of shares being offered, 150,000 shares represent new financing by the company. The remaining 25,000 shares are being offered for the accounts of certain selling stockholders.

Proceeds accruing to the company from this sale are estimated at $733,125. Of the net proceeds the company plans to spend approximately $200,000 for a new plant for the manufacture of Scoop. An equal amount will be expended for equipment for the plant and $100,000 for additional equipment for the manufacture of photographic chemicals and supplies. The balance will be used as additional working capital, primarily employed to finance advertising campaigns and purchase raw materials.

Upon completion of this financing, outstanding capitalization of the company will consist of 400,000 shares of common stock. There is no funded debt.

Should the Security Dealer Be a Vending Machine?

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whereby no element of discrimination, variation or volition is permitted. Everything is to be done by "rule of thumb," in accordance with a prescribed procedure.

Passing over previous, and fortunately thus far, futile efforts to establish the 5 Per Cent and the "Full Disclosure" Philosophies, one has only to point to the most recent "dictum" of the Trading and Exchange Division of the SEC for evidence of this. The move to require underwriters and dealers to redistribute or sell their participations to anyone and to prohibit them from withholding from the market for their own or for special accounts any securities which are publicly offered is the latest effort at "handcuffing" individual action in security trading. It would deprive the trade of all individual choice and volition which has characterized free markets ever since the beginning of commercial transactions. If carried to the extreme, this move would make the security dealer a mere machine,—an intermediary who has no choice of action, no opportunity of exercising skill or foresight, on no occasion to use the arts of persuasion or counsel that are inherent in the general field of merchandising. In other words, the security dealer becomes a robot, or a vending machine.

II

A transition of this nature is decidedly revolutionary. Of all businesses, security dealings are of a personal nature. The relationships between customers and dealers are relatively close and confidential, compared with ordinary merchandising. The "good-will" element is present to a large degree, and the "customer" in many cases takes on the character of a client. The dealer not only buys and sells, but he renders a personal service to his customers. And, in this connection, he has the moral and legal right to select his customers—to work for whom he chooses, and to discriminate among those with whom he is willing to deal. In this respect, he is no different from a banker, who carries accounts and grants loans to those of his own choice, and who is not bound to serve all who may seek his services. He is not forced to lend to all at the same rate or on the same terms. And whether he should accept a deposit account or make a loan is a matter of his own discretion. He is not bound by "a rule of thumb," and he is not forced to act in accordance with a bureaucratic rule or formula.

There was a great hullabaloo a few years ago about the obnoxiousness of "preferred lists" maintained by "issue houses" and other security distributors. The occasion for it was the publication in 1934, as an incident in a Congressional investigation, of the allotments of Alleghany Corporation shares by J. P. Morgan & Co. to a number of individuals, many of whom were clients of the concern and others participants in previous underwriting ventures of this house. Such so-called "preferred lists" had been in common use in the field of financing for generations, and were the means whereby banking houses and investment concerns had built up their clienteles. They had been used by the Rothschilds in England. They constituted a common practice among German banks, and had come into use in this country after the old practice of opening subscription books to the public for shares of new undertakings had failed as a means of obtaining needed capital, or had, contrariwise, led to rush for shares that temporarily induced wild speculation with a consequent market collapse. In times of rising prices and booms, many so-called investors subscribe to new issues of securities merely to ride on the speculative wave, and accordingly, would offer to sell their subscription rights when they could make a profit. They had no interest in becoming permanent shareholders. This was the experience of the subscription to the shares of the First Bank of the United States in 1792, and it was followed later by other instances of "opening subscription books" to the public in the organization of canals, banks and railroads, when required by the laws creating such corporations. The system had been generally abandoned after the Civil War. Although there were "public subscriptions" in the orginal charter of the Union Pacific or the Northern Pacific railroads, this method of distributing the shares was practically ignored and of no effect. Jay Cooke, in obtaining underwriters for the Northern Pacific, made up his own "inside" list.

III

To attempt at one stroke by a governmental edict to revolutionize an established business practice or a recognized trade custom is a dangerous action. It can completely destroy or severely handicap a necessary social or economic service. And what is perhaps worse, it can lead to underhanded and illegal transactions—a far worse evil than that which is proposed to be remedied. One has only to point to the failure of the Constitutional Amendment prohibiting the liquor traffic as proof of this.

Trade practices are the result of an evolutionary process. They arise to suit a particular environment, and they are changed or altered when necessary to be adapted to new conditions. So essential are trade practices regarded as a means of fostering and stabilizing business transactions that they have the force of law, and this has been invariably recognized by the courts of almost every land. In banking, in insurance, in fact, in all branches of trade, tradition and custom prevail, and, except in rare cases, they have not been altered or set aside by legislation or statute. It has been repeatedly stated by teachers and other expounders of the laws of trade, that "the traders make their own laws," and where statutes exist, they are, as in the case of the negotiable instrument law, merely the embodiment of custom and tradition that have developed through the years. So why, at this serious juncture of affairs in our nation's economic life, should a bureaucratic agency of government, attempt, on the basis of mere official whim or a supposedly minor abuse in business ethics, to revolutionize the practices and traditions of an established trade and an essential business?

IV

To destroy or impair the personal relationship between customers and dealers in the security business is, in effect, a destruction of this business as it exists today. The investment banker, the security trader, the broker, and even the ordinary salesman, now operate in an atmosphere of fear. They are handcuffed by rules, regulations, prohibitions, inhibitions, philosophies, edicts and inexplicable laws. In no other occupation or avocation are practicioners so encompassed by as many "thou shall nots." Every decision they make, every action they take, must be considered not only in light of reason, tradition or equity, but in accordance with the decisions and regulations of appointed government officials, who are constantly seeking to aggrandize their powers and magnify their personal importance. Such power tends to become absolute, and as Lord Acton remarked "absolute power leads to absolute tyranny." With this situation, we may expect that in time the security dealer must be nothing more than a mere automaton. He may not act on his own best judgment or in a way to cultivate the good-will of his customers and build up his clientele. To them, he is fast becoming a mere vending machine—a voiceless and senseless medium of effecting a sale or a purchase.

Dillon Reed Offers Wisconsin El. Power Bond and Pfd. Stock

An investment banking group headed by Dillon, Read & Co. Inc. on June 26 offered to the public $50,000,000 Wisconsin Electric Power Co. first mortgage bonds 2⅝% series, due 1976, at 101.56 and accrued interest. The same group also offered simultaneously, subject to a subscription and exchange offer tendered by the company to present stockholders, 260,000 shares of Wisconsin Electric Power Co. new preferred stock, 3.60% series at $101 per share. Both issues were awarded to Dillion, Read & Co., Inc. and associates at competitive bidding on June 24.

Under the company's offer, holders of the presently outstanding 262,098 shares of preferred stock 4¾% series par $100, are invited to exchange for the new serial preferred stock on a share for share basis with a cash payment of $4 per share plus a cash dividend adjustment. The offer also gives common stockholders the privilege of subscribing for the new preferred stock at $101 per share at the rate of 1/10th of a share of new preferred for each four shares of common stock held, but the company states that it has received assurances that the holders of more than 93% of the common stock will not subscribe for any shares of the new preferred.

The company's subscription and exchange offer, which has been underwritten by Dillon, Read & Co., Inc. and associates, expires on July 8, 1946. The company proposes to call for redemption at $105 per share plus accrued dividends all of the old preferred stock 4¾% series not surrendered for exchange.

The new bonds and preferred stock were issued in fulfillment of the company's refinancing plan. Proceeds from the sale of the bonds, together with a $5,000,000 bank loan and general funds of the company will be used to redeem the outstanding $55,000,000 principal amount of first mortgage bonds, 3½% series due 1968 at 105¼%.

Upon completion of the financing the company's capital obligations outstanding, in addition to the securities being offered and the $5,000,000 bank loan, will consist of 45,000 shares of 6% preferred stock, par $100 and 2,660,928 shares of common stock.

Alexander Middleton With Alex. Brown & Sons

WASHINGTON, D. C.—Alex. Brown & Sons, members New York, Baltimore and Washington Stock Exchanges, announce that Alexander R. Middleton, formerly a Lt. Commander U. S. N. R., is now associated with them in their office in the American Security Building.

Dominick & Dominick Adds Ferguson to Staff

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Alfred L. Ferguson, Jr., has become associated with the firm. He was formerly with Estabrook & Co.

Milwaukee Bond Club Field Day and Picnic

MILWAUKEE, WIS.—The Annual Field Day and Picnic of the Milwaukee Bond Club will be held on Friday, June 28th at the North Shore Country Club.

Festivities will start at 1 p. m. although participants in the Golf Tournament may tee off at any time after 9:00 a.m. Ample provision is being made for non-golfers.

Golf events will be:

Individual Championship — First Wisconsin National Bank Cup—low gross—prize for one place.

Team Championship — Puelicher Cup—two-man team event—low gross—prize for one place (two prizes).

Team Championship — Ames, Emerich & Co. cup—two-man team—low net—prize for one place (two prizes).

Special Handicap Event—H. M. Byllesby & Co. Cup (1-15 inclusive)—two prizes.

Special Handicap Event—E. J. Furlong Cup (16-30) inclusive—two prizes.

Special Handicap Event—The Mid-Western Banker Cup (30-45 inclusive)—two prizes.

Blind Bogey—Wisconsin Electric Power Co. Cup (75-90)—two prizes.

Special Guest Events will be prizes for low gross, low net and high gross.

Putting—Laas Cup—least number of putts—two prizes.

Nearest the pin, Hole No. 3—two prizes.

Longest drive on Hole No. 1—two prizes.

High gross score—two prizes.

Milwaukee-Chicago Championship — Fuller, Cruttenden Cup (four-man team) prizes for first place (four prizes). Newman L. Dunne, The Wisconsin Company, is Captain of the Milwaukee team.

Members of the Golf Committee are: W. Lloyd Secord, The Milwaukee Company, Chairman, assisted by Harold H. Emch, A. C. Allyn & Co., co-chairman.

In charge of the "Stuck Exchange" Committee are Charles F. Jacobson, Jr., of Riley & Co., and Sanderson MacRury of Merrill Lynch, Pierce, Fenner & Beane.

Lyman J. Rigby, The Marshall Co., is Chairman of the Horseshoe Pitching Committee.

Edward D. Levy, Straus & Blosser, is Chairman of the Committee in charge of the Bridge Tournament.

Members of the Baseball Committee are: Robert W. Haack, The Wisconsin Company, Chairman; Charles C. Mayhew, Jr., Merrill Lynch, Pierce, Fenner & Beane; John W. Vermeulen, The Wisconsin Company; Earl F. Driscoll, Paine, Webber, Jackson & Curtis; and Gerald B. Athey, Merrill Lynch, Pierce, Fenner & Beane.

Walter Braun, Braun, Monroe & Co., is General Chairman of the outing, and Mert N. Basing, Gardner F. Dalton & Co., is Chairman of the entertainment and refreshments.

Charles W. Given, Gardner F. Dalton & Co., and Arthur F. Patek, Paine, Webber, Jackson & Curtis, are Co-chairmen of the Prize Committee.

Officers of the Club are: Iver Skaar, Harris, Upham & Co., President; Walter B. Braun, Braun, Monroe & Co., Vice-President; and William A. Johnson, Mason, Moran & Co., Secretary-Treasurer.

Faroll Admits Klein

CHICAGO, ILL.—Faroll & Co., 208 South La Salle Street, members of the New York Stock Exchange, will admit Joseph Klein to partnership on July 3.

The Atom Is Splitting UN

(Continued from page 3470)

not here, but in the concurrent bitter blasts emanating from Moscow. Unfortunately they cannot be wishfully disregarded; in a real world Mr. Gromyko's pious utterances here in camera must be judged in the context of Moscow's accusations of America's " imperialism" and "Fascism," "Pax Americana," etc., etc.

Altogether revealing and disgraceful, in the blows at the efforts of the smaller nations here to work out a compromise modus operandi between the Baruch and Gromyko proposals, are the accusations being so vituperatively hurled from Pravda. In particularly bad taste, and wholly unjustified, is Pravda's critical allegation that our bomb-manufacture is contracted out to "private monopolistic firms such as the DuPont Company, whose entire prewar outlook was connected by a thousand threads to the German I. G. Farbenindustrie." Similar allusions were made by Russia's chief stooge, Dr. Lange of Poland, here yesterday when he said: "To those, however, who do believe that they can profit from the martial use of atomic energy for their own narrow and selfish purposes, I should like to direct one word of warning . . ." and then hypocritically attempted a parallel with Poland's martyrdom at the hands of Germany (but not of Russia). Presumably it is up to our government to conduct its internal affairs as it sees fit; unless per chance the Kremlin wants to include the United States along with Spain and Argentina in running all countries. But the absurd and uncalled-for DuPont charges may as well be answered in our press:—the DuPont Company undertook its part in our country's atomic development program at the request of, and in close collaboration with, our Government; was paid a fee of $1 therefore; had no patent rights, but gave them to the Government; and agreed to withdraw from the program entirely before Sept. 1 next.

* * * *

The Veto Implications

Apart from whatever success the Atomic Energy Commission may have in preventing humanity from being blown off the earth by deadly missiles, the final result on VETO elimination there will be of the most farreaching importance to the whole future existence of UN. For the Baruch plan and Mr. Gromyko's counter-proposals have squarely put up to the Big Powers the question whether they are going to continue insisting on the interference of unrestrained national sovereignty with their professed faith in a world organization.

The present veto situation, as it has been abused in the Security Council by Mr. Gromyko, reflects fighting over this issue which has occurred ever since the UN's organizational meetings at Dumbarton Oaks and Yalta. At Dumbarton Oaks Russia wanted the veto to apply to all matters of **every** kind coming before the Security Council. At San Francisco, the small powers, under the fighting leadership of Dr. Evatt of Australia, wanted the veto limited to **punitive** measures, but at the insistence of Russia, a "compromise" was worked out applying the veto to specific procedural matters, excepting only when one of the Big Five should be a party to the case in question.

This compromise was put through only on the express written, as well as verbal promises, by the Big Five that they would exercise the veto privilege "sparingly," with a great sense of responsibility, and only in very exceptional circumstances. But in practice the Soviet has definitely broken these pledges, having used the veto twice, and effectively used the threat thereof once—all regarding peaceful procedural matters. It vetoed the American proposal that British and French troops be taken out of the Levant; it has just vetoed the compromise proposal on Franco; and it got Mr. Lie his job as Secretary-General by effectively threatening to veto the majority's preference for Lester Pearson, Canadian Ambassador to Washington. And Mr. Gromyko's walkout technique here at Hunter has similarly constituted a kind of single-nation hindrance of the majority's will regarding the Iran situation.

It would be unfair to blame the Soviet entirely for inclusion of the veto provision in the Charter. Particularly before it was ratified in San Francisco, our own representatives strongly acted on the assumption that serious relinquishment of our national sovereignty rights would forestall assent by the Senate. But developments during these early UN days, and the obstructing Russian actions, have now caused a decided swing on the part of American officialdom and public toward favoring elimination of the veto excepting as applied to punitive measures.

And finally, the public has realized that, stripped of all its technicalities, the arbitrary usability of the veto not only is a paralyzing force against the spirit and the action of a world organization, but affirmatively gives a transgressing nation the legitimatization and sanctification derived from the great prestige of a "legal" world body.

The Russian theme on Veto insistence is clearly carried to a *reductio ad absurdum* in atomic affairs. For the delicate observation of crucially important prohibitions to be agreed on by the various atom-operating nations, surely must not be broken at will on the excuses of an arbitrarily and uncontrolledly exercised veto.

* * * *

The Russian-American Schism Over the Atom

Directly pertinent thereto is the fundamental difference between the Russian and United States proposals, namely that relating to inspections within countries. The Soviet insists that international inspection should come only after a treaty outlawing atomic weapons has taken effect. **However, the American insistence on prompt and effective inspection is based on the principle that we should be concerned with prevention—rather than possible ex post facto punishment—in the period immediately ahead, when the "have not" nations will presumably be busily engaged in developing the bomb. With the United States presumably ahead of the field in present achievement, and being willing to give away so much unselfishly, this position assuredly is justified.**

The **prevention** in advance of the manufacture of atomic weapons, as the one hope of effectiveness, quite logically is the unalterable basis of the American position. And this implies close, internationally directed inspection, from the very outset.

The unreasonable Russian position in effect strives to obligate the United States to give away or eliminate this most vital weapon, which it has developed and which it alone possesses, and to disclose all information about its manufacture, without any effective guarantee whatever that the other nations would not immediately make it for their own purposes; and to protect these doings by vetoing either inspection or punishment of such violators.

Another difference between the Russian and American proposals consists in the timing of the first steps. The Soviet wants immediately to outlaw the bomb. The Baruch proposals, on the other hand, contemplate the gradual disclosure of the information, starting with disclosure about the least important ores, and withholding the later stages, and the actual giving up of the bomb, until the international control system is in full and effective operation.

Again, the United States is willing to hand over the information to the international authority, provided that the use of such information is safeguarded by international inspectors having the power of reprisal against violators. Russia, on the other hand, wants each nation by its own method of supervision, and within its own sovereignty, to be responsible for the observance of agreements. Even without the record of conduct of the past 12 months, such procedure would have been wholly illogical, utopian, dangerous, and beyond all common sense and prudence. With the spirit and actions being persistently demonstrated, however, it is wholly inconceivable!

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Impracticability of Soviet Proposals

It seems highly doubtful whether Mr. Gromyko can be sincere in advancing his proposals as an effective means of promoting the cause of world peace. For they are wholly impracticable in that regard—apart from their great unfairness to the American position. Moscow, through Mr. Gromyko, is pressing for the establishment of two regulatory committees; it being highly significant that the **second** of which is to get up an agreement for the outlawing of the bomb. and to devise a system of sanctions. **Prior thereto**, under the **first** committee, the secret and know-how are to be divulged to all nations.

Andrei Gromyko

But the prior step will have the ruinous effect of abolishing the possibility of subsequent effective sanctions, because it is precisely the possession of an effective weapon by a single power, that can effectively prevent warmaking. What is needed, contrary to the Russian plea, is a monopoly of decisive power under single control. Under the Moscow thesis of having the knowledge spread among various countries—with the potential protection of the veto power—in a war crisis aggression would be made by the first country able and willing to use the bombs, wholly irrespective of blind faith in treaties or in humanitarian impulses.

As David E. Lillienthal, who was Chairman of the State Department's report on the international control of atomic energy, said Tuesday: "To urge seriously that the world rest its hopes for eliminating the atomic bomb entirely upon making the bomb illegal —'outlawing it,' as the phrase has it—such a proposition, if sincerely offered, is, it seems to me, dewy-eyed, naive and ignorant of the realities of human nature."

And the proposals advanced by the Polish Delegation, through Dr. Lange's backing up of the Soviet, at Hunter Tuesday, are similarly unrealistic. Dr. Lange listed measures to be taken as follows:

"1. That States should exchange between each other all discoveries of a scientific character such as that of atomic energy.

"2. That the results obtained in this scientific field should be used only for the benefits of humanity and not for its destruction.

"3. That the Member States should support the United Nations Organization in its efforts to control and supervise the use of atomic energy for peace.

"4. That Members of the United Nations undertake to eliminate atomic arms and other arms for mass destruction from their national armaments."

Dr. Oscar Lange

And he continued with equally adolescent hope: "With atomic weapons being outlawed and measures of international control developed and the relevant knowledge being shared by all nations, there will be no motives for an atomic armament race."

With even greater professed naivete, both Messrs, Gromyko and Lange justify the possibility of effectively outlawing the bomb, by comparing it with other deadly weapons which have been apparently discarded—such as poison gases and liquids. But surely the discarding of such means of warfare was not based on the "conscience" of a world that was capable of level-bombing of civilians, and the perpetrator of Lidice and other unprecedented barbaric atrocities. The discarding of gas and bacteria was motivated by the realization that their use would entail equivalent reprisals, and altogether would not be worthwhile.

* * * *

Decision to Forsake World Viewpoint Will Scuttle ECOSOC

Decisive action in the conflict of UN officials between functioning as experts or as government nationals, was taken last week by the Economic and Social Council. Surprisingly, in agreeing to the persistent Russian viewpoint, it reversed the recommendations of practically all the temporary commissions for making the permanent commissions at least partially composed of individuals chosen for their expert capacities. The Russian delegate, Nikolai Feonov, won his point that the technical delegates are to represent the views of their respective Governments, are to be bound by them and are to relegate all thoughts of functioning as world citizens to a subsidiary role.

The American and British viewpoint, among many other nations', has been that the economic and social fields represent the rare enough places where national interests can be forsaken for the world point of view in the true United Nations spirit. National interests would be protected at the higher level of the ultimate decisions taken at the Council table by the 18 member delegates. Even this arrangement, as has been pointed out innumerable times by the writer at San Francisco and here, would present insuperable obstacles to effective organization action against sovereign states and national interests. **Now with self-interested nationalism lowered to the initial**

stages of expert discussion, surely all hope of agreement on policies and action from the world viewpoint, is decisively scuttled.

* * * *

An indication of what may and may not be expected from the Russians by way of organization implementation in the social and economic fields, was revealed at a recent meeting of the Human Rights Commission. To a proposal that definite provisions for the preservation of human rights should be included in international treaties (including peace treaties), the Russian representative reported that he had unsuccessfully spent five hours trying to fathom such an idea. Significantly he insisted on radically watering down provisions for having local committees supervising the process of human rights. His strange excuse therefor was that although in some countries the people are more liberal than their Governments in this regard, this of course does not apply to the (democratic) Soviet.

* * * *

The Cost of Refugee Aid

Irrespective of the exact form in which it functions, an international organization, operating under the aegis of UN will deal with the world's vast horde of refugees and displaced persons after the expiration of UNRRA next Dec. 31. Their number is now estimated at 3,000,000, made up by the following categories:—(1) victims of Nazi or Fascist governments; (2) political dissidents; (3) German and Austrian Jews, and (4) orphans.

Director LaGuardia, based on UNRRA's experience in caring for the 870,000 displaced persons in camps in Germany and Italy, estimates the annual cost for caring for them at $40 million for each 100,000 people. This will mean a charge of $1,200,000,000 for the group which is to be taken care of by UN—a charge that must in some way be apportioned among the member nations.

As UN operations become ever more widely ramified, the financial burdens will become more onerous. In line therewith the Economic and Social Council by resolution has established an autonomous Committee on Finances, to adopt administrative and operational budgets, and to fix the percentage scales for necessary contributions by the respective UN members. Sometime in the future this may lead to controversy when our Congress is called on to do necessary appropriating.

Debt Reduction and Money

(Continued from page 3475)

No Benefits from Debts

We have endured for some years the frequently broadcasted opinions of many New Deal economists — in a simpler political economy we called them spendthrifts — who glibly told us that deficits and consequent debts and their management had possibilities of benefit to the public welfare. Lord Keynes, their leader, is dead, and Professor Harisen, the Harvard enthusiast for deficits and debt, has not recently been heard from. Perhaps it is too much to expect that all of these "experts" who uttered what now appears to have been silly mathematics and foolish financial policy, have lost their influence as advisers on questions of public finance. But certainly the gradual reduction of our debt disclosed by the above figures, plus the fact that Congress has reduced from $300 billions to $275 billions the power of the Federal Government to incur debt indicates as do other current events that we are on our way in thought, word and action, back to sounder and more practical financial policies.

We must not, however, be too optimistic. Our Federal debt is still $270 billion. Our Federal budget is still not yet balanced and our expenditures are running at the rate of four billions a month. Until we decrease substantially these current expenditures we can not balance our budget let alone produce a surplus to provide for further debt reduction. It must be remembered that the eight billion dollars in debt reduction accomplished this year was not made out of surplus income of the Treasury, but out of the left over proceeds of the Victory Bond sales of last December. If we are to continue reduction of the debt we must soon either increase taxes, which certainly is not wanted by anyone, or we must make very real reduction in current expenditures.

Inflationary Supply of Money

As has been frequently pointed out, the supply of money in this country which is the source of much of the inflationary trend in prices, has been increased during the past few years from $60 billions to more than $175 billions. And this increase is directly due to the holdings of government bonds by our commercial banks. Of the total increase in money supply occasioned by bank holdings of government bonds, more than $50 billions have been due not to bank subscription to Treasury issues but to bank buying of Treasury obligations on the security markets. But since the Treasury is not now issuing new obligations, the current increases in our money supply are due to bank purchases of government bonds, or corporate bonds, or loans. In other words, the banks are now increasing our money supply not under pressure from the Treasury but by their voluntary increase in their holdings of government, corporate and private obligations. The Federal Reserve authorities have encouraged or assisted this further increase in bank holdings of money making obligations by providing the banks and especially the large banks of New York and Chicago with excess reserves which make possible further purchases on the market by the banks. For several months the reports of Federal Reserve Banks show that the Chicago and New York banks have had little or no excess reserves, that is, reserves in excess of the amounts which they are required by law to hold as reserves against their deposit liability. When the banks have no excess, they cannot purchase either government or corporate obligations. Nevertheless, they have been purchasing both government and corporate obligations and in many instances long term obligations during this period of stringency in their reserves. This has been made possible by the Federal Reserve Banks continuing to buy from the commercial banks or lend to them on the security of short term governments held by the banks. By such sales or borrowings to the Federal Reserve banks, the commercial banks obtain excess reserves over their legal requirements and thereby are enabled to make purchases of other governments, usually of longer term and higher interest rates or long term corporate obligations. The result is that through the cooperation of the Federal Reserve authorities and the commercial banks but without the pressure of the Treasury need for floating any new issues, we are continuing to increase our money supply notwithstanding our efforts at reduction of government debt.

Federal Reserve Policy

The Federal Reserve Board, in its annual report to Congress, now for the first time makes this situation clear and asks for additional congressional legislation to enable the Reserve authorities to control the holdings by commercial banks not only of government bonds long or short, but also of long term corporates. It is perfectly clear that our banks must be able to make current commercial loans to finance industrial, agricultural and other business operations. Our Federal Reserve System ought to be able to provide reserves for the banks to make such loans but it would seem that without further legislation the Federal Reserve authorities could and should close the gate to banks seeking funds from the Federal Reserve System not for the purpose of making commercial loans but for the purpose of adding to the banks' earnings by investment in long term government or corporate bonds. Indeed, that gate should have been closed some time ago. It must be closed promptly if we are to avoid the inflation which comes from an excess of money and its pressure upward on current prices and wages.

Douglas & Lomason Common Stock Offered

White, Noble & Co., F. H. Koller & Co., and Miller, Kenower & Co. on June 25 offered to the public at $6.125 a share, 92,118 shares of common stock, $2 par value, of Douglas and Lomason Co. Of these shares, 18,910 are being offered for the account of the company and 73,208 shares for the account of certain selling stockholders.

Net proceeds accruing to the company from this sale are estimated at $97,763, with $43,686 going toward payment of the balance due on the purchase price of certain real estate, $40,000 being applied for the construction of an addition to the company's present plant. The remainder will be used for the purchase of additional machinery and equipment. With the completion of this financing, outstanding capitalization of the company will amount to 303,000 shares of common stock. There is no funded debt.

Douglas and Lomason Co. was incorporated under Michigan laws in 1902 and since that time has been continuously engaged in the manufacture and sale of hardware and hardware specialties to the automotive industry. Specifically, the company supplies belt, sill, reveal and other exterior, decorative and protective mouldings as well as grilles, interior garnish, ashtrays, windshield and glass channels, name plates and locks for automobiles.

Orvis Bros. Open Branch Under R. L. McGuinness

ONEONTA, N. Y.—Orvis Brothers & Co., members of the New York Stock Exchange, have opened a new office here under the management of Raymond L. McGuinness. The office will be located in the Hotel Oneonta.

The firm, one of the oldest members of the Exchange, was established in 1872.

Newton Aspden With Phillips, Schmertz Co.

PHILADELPHIA, PA.—Newton J. Aspden has become associated with the Philadelphia office of Phillips, Schmertz & Robinson 1421 Chestnut Street.

Sees Better Business Ahead

(Continued from page 3481)

tinued at a rapid pace, but in Canada there was not the stimulating effect from settlement of the rail and coal strikes in U. S. A. that should have come with this return to work. The Great Lakes shipping strike is currently holding coal back at American lake ports or mines, and this situation unless soon corrected, will be extremely serious to Canadian industry.

Industrial purchasing agents feel that, with major strikes settled, if material shortages could be corrected, business would soar to new peaks.

Commodity Prices

No appreciable upward trend of prices is noted over a month ago. On the other hand, there is no indication of any break-through to lower prices. Prices are firm and are expected to remain so for some time. New ceilings for many industries are being permitted. A vicious cycle is probably under way. Buyers continue to receive notices of actual increases or expected increases, many retroactive Some items have increased in price since the first of this year The upward trend will continue until competition and production plus buyers' resistance, cause some stabilization.

Buyers on the West Coast report that prices are definitely climbing and that available supplies are becoming more difficult to locate. "Price at time of shipment" tends to remove limits to prices.

In Canada, with the easing of price controls, the trend is gradually upward.

Inventories

The trend of a month ago to definitely lower inventories appears somewhat checked. The unbalanced and spotty condition continues. Coal, steel and nonferrous metals are definitely lower. The machine tool industry reports indicate the lowest inventories in five years.

Many buyers feel there is a lot of "water" in forward orders.

Conditions do not permit buyers to build up inventories. There is little likelihood of any opportunity to build up inventories on basic commodities until well into 1947.

West Coast buyers report supplies lower. Raw materials, particularly pulp, are being used up faster than received.

In Canada the inventories of food products are reported lowest since last year's pack of canned goods and are being cleaned up very fast.

Buying Policy

The policy of industrial buyers continues to be dictated by expediency rather than following any set pattern.

Deliveries on many materials are so difficult that it is necessary to make commitments ranging from 30 to 90 days on commodities which are normally bought currently. Contracts are made for six months to one year.

Forward contracting is covered by "ifs" and "subject to," and the industrial buyer places orders, with many uncertainties. Materials can be readily sold elsewhere if the buyer fails to conform with seller's conditions.

Specific Commodity Changes

The commodity price and procurement situation changes so rapidly that it is difficult to be specific without naming an almost limitless list of items. From reports received, however, it is possible to generalize to some extent:

Stocks of lumber, of industrial firms, have practically dried up.

Paper and paper products are very difficult to obtain.

Shortages of wire mill products are now the greatest threat to production in electrical and other industries.

Drop forged wrench manufacturers are eliminating many double-end items formerly listed as standard.

Pig iron, coal, coke and many steel items have been advanced by OPA.

A 10% increase has been allowed in the price of office furniture.

Look for an advance in the price of cornstarch.

Ceilings on rosin and turpentine are expected to be removed.

Steel scrap dealers are reported to be considering a request for $5.00 per ton increase.

Clothing prices in Canada are reported up 5%.

Higher prices for lead, copper and zinc are expected in the near future.

Drastic changes are being made by the WPBT in Canada regarding price ceilings and the removal of subsidies. The latest orders from the Board affect practically all items in canned vegetables.

West Coast buyers report increases in many container items, machinery, copper and copper products. The upgrading of lumber and the necessity for custom milling down to smaller sizes continues. Escalator clauses continue to increase in number and variety. Mixed concrete is up $1.00 per yard.

Sellers anticipating increased freight rates and other increases due to higher coal prices are hedging on firm commitments even for immediate delivery.

Employment

Employment figures indicate a better trend than a month ago, although the change is slight. Material shortages continue to block further employment of help. Building material manufacturers report shortages of labor.

Employment on the West Coast is better than a month ago but well under the same period a year ago.

Labor is especially short in the State of Washington.

The shortages of materials in Canada accentuate the unemployment situation.

General

Never has there been a time when business was more confused and uncertain. Every one appears to be carrying on from day to day, making some profit; but future planning seems almost impossible.

If labor difficulties can be stopped short of tie-ups by strikes, and if the prices approved by OPA are sufficient to show some profit, we are all set for some splendid production records. The demand for goods is tremendous and the ability to produce is available.

In the opinion of buyers generally, the future of business is dependent mainly upon the Government's release of controls and the adoption of an honest and consistent labor policy.

Strikes, labor disputes and taxation must be cleared up before we can expect full employment and production. These factors, coupled with the uncertainty of future prices, create lack of confidence in business prospects over an extended period.

All manufacturers have large order backlogs, but the scarcity of basic materials prevents the large increase needed in productivity.

McKenna Acquires Membership on New York Stock Exchange

Thomas F. McKenna has been elected a member of the New York Stock Exchange. He is connected with Thomas Marsalis & Co., 11 Wall Street, New York City, and formerly was with Morris Joseph & Co.

Bank and Fund Under Organization

(Continued from page 3478)

dling publicity for the present, pending the employment of press officers, has the endorsement of the executive directors, one may wonder whether it may not contain the same disadvantage that was noticed at Savannah when Secretary Vinson disclosed to the press one day that thereafter no other delegate to the inaugural meeting of the Fund and Bank would hold press conferences. Some of the foreign delegates are known to have felt that this cut them off from a legitimate means of making their views publicly known. There is obviously the additional factor of personal kudos involved.

The Fund's executive directors have been meeting in plenary session three times a week. The Bank's executive directors meet twice a week. In addition, committees of executive directors meet when necessary.

Problems faced by Messrs. Gutt and Meyer include, in the immediate present, the selection of a staff along principles established at Bretton Woods and set forth in the agreements. These are that the staff be both competent and geographically representative. Several thousand job applications have been received by the Fund and Bank, but very few persons have been engaged so far, and these have come largely from the United States, where the tax-free status of Fund and Bank salaries is proving an enormous hit.

As was expected, several of the Treasury staff who worked on the original White Plan and on its evolution since then have either obtained positions on the Fund or the Bank, or are expected to do so shortly. Harry White and E. G. Collado, of course, moved from their Government posts to executive directorships in Fund and Bank respectively early in May. V. Frank Coe, who at the Treasury became chief of monetary research after Harry White became Assistant Secretary of the Treasury, and who since last August served as secretary of the National Advisory Council, has recently moved over to the Fund as secretary of that institution.

E. M. Bernstein, Harry White's invaluable assistant at the Treasury for many years and a close advisor of both Secretaries Morgenthau and Vinson on Bretton Woods and National Advisory Council matters, has been rewarded with the post of acting research director of the Fund. Ansel Luxford, top-notch Treasury attorney, who has labored for Bretton Woods since the beginning, has become Assistant General Counsel of the Bank. Friends of Luxford think that only his youth prevented him becoming General Counsel. If so, it is because Mr. Meyer has not seen the able manner in which Luxford has performed throughout the life of the Bretton Woods program. Richard Brenner, another Treasury lawyer, has joined the Fund as an attorney.

The nomination this week of John S. Hooker to be alternate American Executive Director of the Bank is regarded in Treasury circles as "another proof that the World Bank is a State Department racket." Mr. Hooker has been serving as temporary secretary of the Bank since Savannah. For many years he has worked under his present chief, E. G. Collado, at the Treasury and State Departments as his research assistant. Mr. Hooker's wife is Mr. Collado's secretary. A biographical sketch of Mr. Hooker appeared in the "Chronicle" of May 2, 1946, p. 2355.

Outside of the Treasury one finds in Washington considerable interest in jobs on the "Fund or Bank." Quite a bit of maneuvering is going on to get applications placed in the right hands. On the theory that some of the foreign executive directors may be able to put in a good word, that channel also is not being overlooked. Naturally, some of the staff will be recruited from abroad. In some instances the Fund and Bank, it is indicated, will pay the expenses of such recruits and their families in travelling to Washington. No hard and fast rules have yet been laid down to cover this matter.

Recent appointments to the Fund illustrate the policy of caution not only in the fewness of those so far employed, but in the fact that neither Dr. Bernstein nor Mr. Luxford has been assigned the top post in their respective departments, research and legal. The top posts are left open for future assignment.

As to number of personnel, a high Fund official consulted by the "Chronicle" observed: "It is not envisaged that the Fund will ultimately have an enormous number of employees. It will be a very long time before the Fund has as many as 200 altogether."

Rules and regulations are one of the things the Fund has been working on. These will implement the Agreements and By-Laws. They will not be made public, a high official of the Fund advises this correspondent.

When the governors convene in September they will be presented with reports from Fund and Bank. These will be made public. They will most likely be general in nature. Later, we may look for the Fund and Bank to issue more extensive reports, similar in some ways to those which the BIS has published annually.

Relations with United Nations

Another matter the Fund and Bank have been working on is the question of the relationship between them on the one hand and Economic and Social Council of the United Nations on the other. In the past a great many speeches and charts emanating from Washington have depicted the Fund and Bank as integral parts of the new world organization and, presumably, as subsidiary to United Nations. Actually, the Fund and Bank do not relish such a subordinate relationship. They pride themselves on the fact that their programs call for them to be self-supporting as to operating expenses. What is indicated is a written understanding or "treaty" with UN setting forth the exact relationship.

Naturally, one of the dangers to be avoided is duplication of information-gathering efforts by the Economic and Social Council and the Fund and Bank. Both are authorized to operate in the same fields.

Another problem which the Fund and Bank will always have is that of keeping the executive directors happy. This means avoiding their acquiring a feeling of frustration. There was some fear among foreigners at Bretton Woods and at Savannah that the Fund and Bank might become an American show. This was in part behind the fight against Washington as the headquarters of the two institutions. At Savannah, indeed, the two most troublesome questions were those of site and functions and remunerations of executive directors and alternates. The British opposed the American view on both questions, and as a compromise it was agreed that any country which did not want to have full-time executive directors could be represented by an alternate. This is how it happens that the British and Canadians are not represented on the Fund and Bank executive boards by full-time top men.

Once the British were licked by the choice of Washington as headquarters, the wind was taken out of the British sails on the other question. For location in Washington meant that the United States would always have continuous representation on the executive boards, and this would compel the other countries in self-defense to do likewise. Thus it happens that while several of the executive directors from abroad have already gone home on more or less extended trips, their countries continue to be represented; and, in these cases at least, the respective alternates are playing an active part in the work of the Fund and Bank. Among those who have gone home, apart from our commuting neighbors from Canada, are Machado (Cuba) on the Bank and Bolton (United Kingdom), Mladek (Czechoslovakia), Joshi (India) and Gomez (Mexico). Mr. Gutt himself is expected to make a quick trip home.

While technically most of the executive directors are here full time, there is a risk that, unless thought is given to the matter—especially in the Bank where American interests have been focused in the presidency—some of them may come to feel that they are mainly full-time ornaments. Unless there should be a good deal of committee work, two mornings a week is not going to be a heavy diet for an active mind. The Bank's work in any case may be less than otherwise, because of the spade work which is being done by the Export-Import Bank and NAC during this period when the Export-Import Bank is performing the more urgent tasks of reconstruction lending which properly belong to the World Bank but which the World Bank was not organized soon enough to handle.

Problem of Bases for Bank Loans

One point which is still to be decided in connection with Bank loans is that provision of the World Bank Agreement (III, 4, ii) which calls for the Bank to make sure, before granting a loan, that the borrower under prevailing market conditions would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower. The interpretation some potential borrowers would like has to do with whether or not this restriction in the Agreement applies to the entire amount of money sought by the borrower. The question arises in the case of a borrower with very good credit, such as Belgium or Holland, where the possibility of borrowing in Wall Street is known, but where additional amounts are desired from the Bank. Be that as it may, several countries, including those just mentioned, have already made known their intention to apply to the World Bank for loans and have done it this early to be sure of a place well up on the queue.

The fact is that, in this hectic world of transition-to-what? no one can see five years ahead, much less 50, in making a foreign loan. The directors of the World Bank and of National Advisory Council for that matter are in the position of a man plunging at night into a stream to swim across to an opposite bank which he cannot see and never has seen.

Mr. Gutt's successor as Executive Director on the Fund and Bank representing, on the former, Belgium, Luxemburg and Iceland, and on the latter those three countries, plus Norway, was at last elected by cable some two weeks ago. He is Hubert Ansiaux, for many years director of the Bank of Belgium. Mr. Ansiaux, who attended the Savannah meetings as an adviser of the Belgian delegation, is not yet in Washington, but his alternate, on both Fund and Bank, Ernest de Selliers, is here. De Selliers, a finance ministry official concerned with monetary matters, was formerly Belgian financial attache in Washington and in that capacity attended the Bretton Woods conference in 1944 as secretary of the delegation which Mr. Gutt headed.

A list of the alternate executive directors of the Bank named to date follows:

*Ernest de Selliers, representing Belgium, etc.

Ernest Sturc, temporarily representing Czechoslovakia, etc.

*Joaquin Meyer, representing Cuba, etc.

*Leonard B. Rist, representing France.

Fernando Illanes, representing Chile, etc.

Those marked with an asterisk are acting executive directors as well, in the absence of their principals.

New American Alternate for Bank

The most recent addition to the personnel of the Bank is John S. Hooker of Maryland, who was nominated by President Truman on June 25 for United States alternate executive director. The nomination is for a two-year term.

Mr. Hooker will act as U. S. representative on the directing board of the Bank whenever executive director Emilio Collado is absent.

Mr. Hooker is a native of Philadelphia and has been temporary secretary of the World Bank since March. Previously, he had been in the State Department, associated with Emilio Collado, who is now U. S. Executive Director of the World Bank.

Britain Awaiting Loan

(Continued from first page)

In the first place, the delay and uncertainty of the ratification enabled the Chancellor of the Exchequer to induce other Ministers to keep down to a minimum their dollar requirements. Imports payable in dollars have in fact been kept as low as possible, to avoid the exhaustion of the gold reserve before the loan became available. Had the loan been ratified in January or February it would have been impossible for the Treasury to resist pressure in favor of more liberal allocation of dollars to importers, and the chances are that by now some hundreds of millions would have been so allocated in addition to what has been actually spent.

Had the loan been ratified early this year, the foreign exchange position would have also been affected by its effect on exports. It was not easy for the Government to resist pressure in favor of making the growing output of civilian goods available to the British public instead of exporting a very large proportion of it. The Government is very keen on maintaining its popularity, and it might have been tempted to abstain from pressing its export drive to the extent it has actually been pressed. Owing to the possibility of long delay, and the risk of non-ratification, however, it was considered inevitable to divert the largest possible quantity of goods from the home market to overseas. This, together with the cutting down of imports payable in dollars, must have made an appreciable difference to the British trade balance.

The Government's drive for increasing production must also have been helped by the delay. Official speakers in the campaign did not fail to point out that the loan may not be received, after all, or that it may not be received till next year, and exhorted workmen to do their utmost to enable the country to carry on, if need be without it.

What is considered even more important, valuable time has been gained, since under the agreement the convertibility of sterling need not be restored till 12 months after the loan has been obtained. It will make a considerable difference that, instead of having to restore convertibility at the beginning of 1947, the Government need not take that step until the middle of that year. Meanwhile our trade balance is likely to improve further, as a result of the progress in the conversion of industries for peacetime requirements.

That progress will materially improve the British Government's bargaining position in relation to holders of blocked sterling balances. At present its bargaining position is none too strong, owing to the adverse trade balance. Holders of blocked balances want immediate advantages, not vague undertakings of future deliveries. If the negotiations with them need not be concluded until the middle of 1947, by that time the Government may be in a better position to estimate the country's capacity of delivering the goods, and can therefore offer definite delivery dates instead of merely asking holders of sterling to hope for the best.

Since the gold reserve is not spent as rapidly as was expected at the time of the conclusion of the loan, it would not now be considered a major disaster even if the ratification were postponed till after the Congressional election, for the Treasury is now certainly in a position to hold out till the beginning of 1947. That would mean an additional six months' delay in the restoration of the convertibility of sterling; an additional six months' delay in the settlement of sterling balances; and an additional six months' "austerity" which, however, unpleasant while is lasts, would be very helpful towards the consolidation of the position.

Even if, as now seems probable, the loan should be obtained shortly, the Treasury will do its utmost to maintain the atmosphere of austerity. Various Government departments have submitted their claims of increased allocations from the proceeds of the dollar loan; these claims are being drastically reduced by the Treasury. It will not be easy, however, to resist pressure for increased imports and reduced exports in order to provide some relief for the long-suffering consumer.

Portsmouth Stock on Market at $10 Per Sh.

A new issue of 1,025,000 shares of Portsmouth Steel Corp. common stock was offered to the public June 26 at $10 per share. Sole underwriter of the issue is Otis & Co. of Cleveland.

Portsmouth Steel Corp. was recently organized by Cyrus Eaton, Cleveland industrialist and banker, and a group of associates to acquire the Portsmouth works of The Wheeling Steel Corp. at Portsmouth, Ohio. Mr. Eaton and his associates are retaining ownership of 50,000 shares of the stock now being offered.

Of an additional 300,000 shares of common stock to be issued by Portsmouth Steel, Kaiser-Frazer Corp. has agreed to purchase 200,000 shares and Graham-Paige Motors Corp. 100,000 shares at the public offering price. The steel company has contracted to provide the two automobile companies with steel for Kaiser and Frazer cars.

Elmer A. Schwartz, 45-year-old veteran steel operating man whose election as president of Portsmouth Steel was announced last week, has subscribed for an additional 15,000 shares of the steel company's stock at $10 per share. Mr. Schwartz comes to Portsmouth Steel from Republic Steel Corp., of whose Youngstown district he has been assistant manager.

John W. Snyder New Treasury Head

(Continued from page 3484)

life, so many of my good friends. I am particularly happy to be honored by the presence of the President. Also, it is a rare privilege to have the honor of being inducted into office by the man who, at the same time, is the Chief Justice of the United States, my predecessor as Secretary of the Treasury, and my friend. Another source of great happiness to me is the fact that I have with me here my esteemed colleague, Max Gardner, who will be so closely associated with me as Under Secretary.

I am most fortunate in having these fine friends and able counselors to aid me in decisions of future policy on monetary and fiscal matters.

Decisions of policy are, of course, of no avail unless they are based on the best available data and unless they can be promptly and vigorously carried out. It is auspicious and providential that the Department of the Treasury possesses an outstandingly able and devoted staff of public servants, specialists in the complicated and diversified fields covered by the Department. I shall rely upon their counsel and guidance.

It would be presumptuous for me to state in detail at this time the various fiscal and monetary measures which the government hopes to employ in order that the country may quickly complete its transition from war and effect the reconversion to a stable and prosperous economy. So many pressing problems face us, however, that I should like to name, very briefly, some of the tasks that face American citizens and their government in the months ahead.

The job of converting our huge war machine from the making of munitions to the making of peacetime goods is practically complete. This conversion was accomplished in less time, and at a lower cost in terms of idle plants and idle men, than most of us expected. In spite of temporary halts and slowdowns, the economy is now producing more civilian goods and services than ever before in the nation's history.

With this high level of civilian production, go additional responsibilities. It is the responsibility of the government to reduce its expenditures in every possible way, to maintain adequate tax rates during this transition period, and to achieve a balanced budget —or better—for 1947. It is the responsibility of individual citizens to continue to produce needed goods and services at the highest possible level, to spend wisely, and to lay aside a portion of their income for the best and safest investment in the world—U. S. Government securities. It is the determined duty of the Treasury of the United States to safeguard these securities.

We have an almost limitless reservoir of energy in this country upon which to draw in building a permanent high-production, high-employment economy. The sources of this energy are many—our rich natural resources, the dollars our people earned but did not spend during the war, the initiative and high productivity of the American worker, the daring and imagination of the American businessman. If we tap this reservoir wisely, we will enable our system of free enterprise to flourish in the public interest and for the public good.

We cannot have a prosperous nation—or a peaceful one—without a stable world. For that reason, if for no other, we must prevent the seeds of isolationism from springing up both here and abroad. The Bretton Woods Agreement was a forward step in the direction of removing barriers to international trade and investment. Today, every American citizen is also a citizen of the world. It is to his interest to study and understand his duties and responsibilities as a citizen of our modern world.

We are well on the way toward our dual objective of building a stable and prosperous economy at home, and of helping other nations to build theirs. To reach this goal, we need the active understanding and cooperation of all the people.

Today, more than ever before, our motto should truly be, "United We Stand; Divided We Fall."

O. Max Gardner Speaks

In presenting Mr. Snyder to the audience, O. Max Gardner, Under-Secretary of the Treasury, who presided at the induction, spoke as follows:

O. Max Gardner

Our retiring Secretary of the Treasury and present Chief Justice, in giving expression to the ideals and aspirations of America, recently said — "The greatest contribution that the United States can make to peace and prosperity of the world is to keep America strong and prosperous and the advocate of justice in the council of the nations."

"To this great cause our new Secretary of the Treasury is equally devoted and just as determined. He believes that without a financially sound and strong America we cannot meet the needs of our people and the hopes of the world. He has had a successful and honorable career in private business. He has given ten years of devoted service to his country. His record shows that he knows the absolute necessity for sustained confidence in our credit and in our currency.

"Under him, the Treasury will defend on every front the integrity of the American dollar. I am convinced that his policy will be to stand as a rock for national solvency and for a balanced budget at the earliest possible moment consistent with the public welfare.

"John W. Snyder, yours is a most difficult task and a tremendous responsibility. The thousands of faithful Treasury employees, as well as Americans, pray that God may give you the strength and wisdom to meet the great obligations that have been entrusted to you.

"This is an historic occasion. The retiring Secretary of the Treasury, who yesterday became Chief Justice of the United States, is today performing his first official act by administering the oath of office to his successor. I have the honor to present Chief Justice Vinson."

Mr. Snyder's Career

John Wesley Snyder is a native of Arkansas. He was born in Jonesboro on June 21, 1896, the son of Jerre Hartwell and Ellen Hatcher Snyder. After graduation from the Jonesboro High School, he attended Vanderbilt University at Nashville, Tennessee. At the outbreak of World War I, he attended the First Officers' Training Camp, Fort Logan H. Roots, Arkansas, from May until August 1917. In August he was commissioned Second Lieutenant, Field Artillery, and assigned to Headquarters, 57th Field Artillery Brigade, 32nd Division, Waco, Texas. (Michigan and Wisconsin troops.) Was promoted to First Lieutenant, Field Artillery in September, and the following December was ordered overseas. From January to May 1918, he attended artillery schools at Samur and Coetquidan, France, and was graduated with honors. In May 1917, was assigned as Operations Officer, Headquarters Staff, 57th Field Artillery Brigade, and was on duty with troops, in above capacity. In November 1918, he was at the front and served in five sectors. He was decorated by both the French and U. S. Armies. Promoted in September 1918 to Captain, Field Artillery. From December 1918, to June 1919, in Army of Occupation in Germany. Served as Division Athletic Director, Headquarters Staff, 32nd Division, Rengsdorf, Germany. Returned to the United States in June 1919, and received honorable discharge, whereupon he was commissioned Captain, Field Artillery Reserve.

After the war, Mr. Snyder attended summer camps every summer with :U. S. Army as instructor of field artillery. In June 1924, was promoted to Major, Field Artillery Reserve, and attended summer camps as commander of the 407th Field Artillery Regiment. In May 1931, received promotion to Lieutenant Colonel, Field Artillery Reserve. Was graduate of command and staff course and attended summer camps as commander of the 381st Field Artillery Regiment. In May 1939, was elected President, Reserve Officers' Association, Missouri Department, and the same year received promotion to Colonel, Field Artillery Reserve, and was on duty as Chief of Staff, 102nd Division, during the Fourth Army maneuvers held at Presidio, San Francisco, California. At the outbreak of World War II, Mr. Snyder was unable to take active military assignments due to duties in Washington as Executive Vice President of the Defense Plants Corporation.

In 1920, Mr. Snyder entered the banking business as bookkeeper with the First National Bank at Forrest City, Arkansas. Following this connection, was engaged in various positions, such as assistant cashier, cashier, etc., in banks in Arkansas and Missouri, from 1920 to 1930.

In 1930, he was appointed national bank receiver in the Office of the Comptroller of Currency in Washington, D. C. The following years were hectic times for banks generally, and for seven years he was engaged in the liquidation of closed national banks in Missouri. The list was a long one and included the Citizens National and the Sedalia National Banks at Sedalia; First National at Washington; the Grand National, Cherokee National, Twelfth Street National, St. Louis National, and Vandeventer National, all of St. Louis.

In 1937, Mr. Snyder became manager of the St. Louis Loan Agency of the Reconstruction Finance Corporation. After serving three years in this position, in August 1940, he was made Executive Vice President and Director of the Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation in Washington, D. C. He served concurrently from 1940 to 1944 as special assistant to the Board of Directors of the Reconstruction Finance Corporation in Washington. In 1943, Mr. Snyder became Executive Vice President of the First National Bank in St. Louis. Some of his business connections in St. Louis were: Vice President and Director, Chase Hotel; Director, Coronado Hotel; Trustee, Congress Hotel; Trustee, Senate Apartments; Member, Advisory Committee of the Reconstruction Finance Corporation; Member, Advisory Council Secretary of Commerce; Member, Advisory Research and Development Branch, Quartermaster Corps, U. S. Army; Director, St. Louis National Stock Yards Company.

Mr. Snyder took a very active interest in civic affairs. He was Chairman of the Bank Division of the St. Louis Community and War Chests from 1937 to 1944; Vice Chairman, special subscriptions, in the St. Louis War Loan Drives Nos. 3, 4, 5 and 6; Chairman, War Surplus Disposal Committee of the St. Louis Chamber of Commerce; Trustee, Governmental Research Institute, St. Louis; Member War Contract Termination and Cancellation Committee, St. Louis Chamber of Commerce; Member, Visit St. Louis Committee and Chairman of its finance committee.

On April 30, 1945, Mr. Snyder was appointed Federal Loan Administrator. During his administration he perfected the consolidation of five subsidiary corporations into the Reconstruction Finance Corporation. These subsidiaries were: Defense Plant Corporation, Rubber Reserve Company, Metals Reserve Company, Defense Supplies Corporation and Disaster Loan Corporation.

On July 23, 1945, the President appointed Mr. Snyder Director of the Office of War Mobilization and Reconversion which position he held until appointed Secretary of the Treasury.

Mr. Snyder is a life member of the Missouri Athletic Club, serving on its Board of Governors 1940-46. He was Vice President of the Club 1944-45, and was elected President in 1945. Other social memberships include the Noonday Club, Racquet Club, Bellerive Country Club, Rotary Club — life member (honorary), Forrest City Arkansas; Alpha Tau Omega Fraternity, Military Order of World War, American Legion, St. Louis, and the Reserve Officers' Association of the United States, Missouri Department, of which he is now President.

First Boston Offers Stock of Timely Clothes

The First Boston Corp. heads an investment banking syndicate which is offering to the public today (Thursday) 90,000 shares of Timely Clothes, Inc., common stock, $10 par value, at $16.50 per share. The shares, which are being offered to the general public for the first time, represent part of the holdings of two individual stockholders and the entire holdings of various trusts; the company will not receive any proceeds from the sale of such shares.

The company, incorporated in 1920 in New York State as Keller, Heumann & Thompson Co., Inc., adopted its present name in 1939 With its principal factories located in Rochester, N. Y., where the business was founded, the company manufacturers and sells men's clothing under the label "Timely Clothes." Its products are sold to more than 1,000 retail merchants throughout the United States, Alaska and Hawaii. The company's one subsidiary, Timely Stores Incorporated, operates retail stores in California which sell principally men's and boys' clothing and accessories.

Outstanding capitalization of the company consists of 140,000 shares of common stock, $10 par value.

Kobbe Gearhart Offers Radio & Tel. Stock

An issue of 99,000 shares of capital stock, par 10 cents per share, of Radio & Television Corp. is being offered to the public by Kobbe, Gearhart & Co., Inc. The offering price is $3 per share. Proceeds will be used to acquire the trademark "Brunswick" for use on radio and television receiving sets and radio and phonograph combinations and for additional working capital.

Kalb, Voorhis & Co., New NYSE Firm, Opens

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partment as well as the trading and over-the-counter division. His career in Wall Street goes back many years. Widely known as a security analyst, he has specialized in trust investments and recently actively sponsored common trust funds in many states. Mr. Kalb originated and managed the investment research department for the old New York Stock Exchange firm of D. M. Minton & Co., of which he was a partner prior to becoming associated with Lewisohn. Previously he developed and was in charge of the security research department of the Stock Exchange firm of Clark, Childs & Co., later Clark, Childs & Keech.

Mr. Voorhis, who also was a partner of Lewisohn & Co., has been associated with John Kalb for the past ten years, having first joined him in D. M. Minton & Co. Mr. Voorhis' career in Wall Street began with J. P. Morgan & Co., after which he was with the Guaranty Trust Co. For four years thereafter he was associated in the syndicate department of Lehman Brothers. Mr. Voorhis has a wide circle of acquaintances among bankers and investment men throughout the country.

Mr. Newsome has been a member of the New York Stock Exchange since Oct. 18, 1928, when he became an associate broker of Carlisle & Jacquelin. In October, 1941, he severed this connection to become a representative of Spencer Trask & Co., with whom he has been associated until the formation of Kalb, Voorhis & Co. He was on leave from Spencer Trask on active duty as a Lieutenant USNR from February, 1943, to August, 1945.

Mr. Phillips was with the Iron Age Publishing Co. for several years after graduation from Williams College. In 1928 he associated with Tucker, Anthony & Co., members of the New York Stock Exchange, whom he leaves to join Kalb, Voorhis & Co. A director of Financial Industrial Fund of Denver, Colorado, and member of the executive committee of the Association of Customers' Brokers, he has close contacts with many institutional investors.

Mr. Wehmann, the partner who heads the new firm's trading department, leaves Lewisohn & Co. after having been in charge of its trading division since last year. Prior to that time, he spent many years as manager of the trading department of Tucker, Anthony & Co., where he became well versed in utility and industrial securities. He is active and well known in corporate security traders' circles.

Mr. Orchin developed and had been for several years in charge of the arbitrage of Lewisohn & Co. Previously, he was associated with Cullman Brothers, after serving many years with Adler, Coleman & Co., both Stock Exchange firms. He will be the partner in charge of arbitrage for the new firm and its clients.

Formation of the new firm was previously reported in the "Financial Chronicle" of May 30th.

Alfred Powell Joins C. E. de Willers & Co.

C. E. de Willers & Co., 120 Broadway, New York City, members New York Security Dealers Association, announce that Alfred L. Powell has become associated with the firm in the trading department. During the war he served as a captain in the U. S. Army Air Corps. In the past he was manager of the Stock Trading Dept., for Wm. L. Burton & Co.

National Reconversion Policies and Developments

(Continued from page 3483)

the most comprehensive measure of the total output of the nation, and includes both goods and services, fell from a wartime peak annual rate of $206 billions in the second quarter of 1945 to about $182 billions in the first quarter of this year. Although this is a large decline in the absolute, it represents a drop of little more than 10% from the wartime high. Recent information indicates that this decline has since been halted, and in some segments we are again on the upgrade.

To make another comparison—during the first phase of postwar readjustment gross national product did not fall below the levels first reached in early 1943. These, as you all realize, then represented an exceptionally high rate of economic activity.

It is true, of course, that prices rose during the war and that there has been a further increase since V-J Day. Therefore the above figures, which are in terms of current dollars, somewhat overstate the extent to which the physical volume of production has been maintained. Yet, after allowance is made for recent price advances, the conclusion that production has been maintained remarkably well after V-J Day is clearly valid.

It appears, moreover, that the physical volume of national production thus far in 1946 has been about one-half larger than in 1939. This is additional evidence that notwithstanding the many difficulties of postwar adjustment, basically we need not be discouraged about results to date.

Why No Pronounced Production Decline

Why has the decline in production been less pronounced than many had feared? Let us examine the three major markets into which gross national product flows — Government purchases, business purchases of capital goods, and consumer purchases. After V-J Day Government requirements dropped sharply. Total Government expenditures are now only about 40% of what they were prior to V-E Day.

Some of this decline, insofar as total market demand is concerned, has been offset by an increase in what we technically term private capital formation — that is, expenditures for such things as new plant and equipment, and for commercial structures, or for residential housing. Even though supply problems have been a severely limiting factor in this capital formation segment, the recovery has raised dollar expenditures from an annual rate of $7 billion a year ago to $15 billion at present. In 1939, the rate was $10 billion, and even allowing for the higher level of prices, the extent of recovery in a year's time has been impressive.

If we add to this increase in capital expenditures the rise of $3 billion in expenditures for consumer durable goods — automobiles, furniture, electric appliances, etc.—the combined increase amounted to $11 billion at annual rates. This partially offset the drop of $53 billion in Government outlays, but was far from sufficient to compensate entirely.

Consumer Expenditures

Accordingly, a much larger reduction in total gross national product would have occurred had it not been for the very marked rise in consumer purchases of food, clothing and other nondurable goods. These purchases surpassed expectations. Consumers lifted their expenditure on such goods to an annual rate of over $75 billions, as compared with the $60-billion rate at the time the war ended in Europe.

The large volume of consumer expenditures was due in part to the fact that the disposable income of individuals was relatively well maintained by such factors as mustering-out pay to veterans, tax reductions, and the upward adjustment in basic wage rates in many industries. These helped to counteract declines in consumer purchasing power occasioned by shorter hours of work, less of overtime pay, shifting of occupations, etc.

But this is not the entire explanation. The increase in consumer expenditures for nondurable goods occurred at a time of moderately declining consumer incomes. In other words, out of given incomes consumers spent substantially more for nondurable goods than they had both before and during the war. This upward shift was probably one of the most important factors in maintaining a high level of economic activity after V-J Day.

The reasons are manifold, but only a partial explanation can be found on the supply side. Many types of nondurable goods which were in short supply during the war became available in increasing quantities after V-J Day and allowed already existing demand to become effective. The withdrawal of the Government from the market was important since it left a larger proportion of current production to move through ordinary trade channels.

On the demand side, former servicemen, re-establishing themselves in civilian life and no longer cared for by GI issues, made heavy purchases. Also, the pressure to save for patriotic reasons having been relaxed, the civilian population tended to spend more freely.

Problems of Reconversion Policy

That there was to be a tremendous demand for consumer goods after the war's end was apparent well in advance, as was a loss of income to workers who during the war had benefited from overtime pay and maximum production. This combination, and the possibility of widespread unemployment, posed three problems in reconversion policy at the outset:

1. Establishment of a high level of production of peacetime goods as quickly as possible.
2. Adjustment of wage rates to compensate partly for reduction in take-home pay.
3. Continued control over prices, to prevent skyrocketing in a sellers' market, until the supply of goods began to approximate demand.

Reconversion policies aimed at increasing production have generally been in the nature of decontrols, stemming from the Administration's view that private enterprise has the direct responsibility for satisfying demands for goods and services. In some areas, notably construction, it has been recognized that for best results where critical shortages of mategrials exist, the temporary retention of Government controls will most speedily and usefully channel the scarce items where they are most urgently needed.

The main objective of such policy has been the replacement of production for Government use by production for private purchasers. The sag in output expected as this transfer took place—as the guaranteed market for tanks, guns, bombers and warships gave way to the private market for household goods, clothing, and pleasure cars—has been kept within reasonable bounds.

The impact of the reconversion problem has, of course, varied from industry to industry. There are some plants which can never be used fully in civilian production — shipbuilding, ordnance plants and the like, plus much of our expanded capacity for airplane production. There are others where the physical problem of reconversion has been impressive—the consumer durables plants where civilian production was stopped completely, and production lines and equipment dismantled to make way for the production of our war machines.

At the other extreme are the industries that have had little or no physical reconversion problems—meat packing, paper, printing and publishing, manufactured dairy products. These experienced no drop in demand as the Government moved out of the market as principal buyer.

Production Now at High Levels

In the aggregate, as compared with pre-war we are now producing generally at relatively high levels. This is so despite the known lags in output of many individual commodities which are far from meeting demand at present rates of production.

The delays in increasing civilian production volume since the war's end should not have been unexpected. Gaining large volume output of goods that have not recently been produced is of itself a time-consuming process. Even during the war—when the pressure of demand for war material was an over-riding consideration—it took more than two years before war production was rolling on a big scale.

In recent months we have been in a stage analogous to early 1942 when we had to fill the pipelines, and when output of the wanted goods—then airplanes, tanks, rifles, and ships—was low in relation to the aggregate volume of output which includes goods of all kinds whether finished or not. The physical problems of reconversion are less complex, and the time required to gain full scale production is thereby shortened. Nevertheless, there was bound to be a time lag.

The production situation in the reconversion industries—in terms of supplying to product-hungry consumers the finished goods they want and need—has been of necessity one of gradual adjustment, and the record is still spotty. But it is clear that we are now at the point where an expanding volume of goods can be expected to move from the production lines, through the channels of distribution, and into the homes where they are needed.

Labor Disputes and Parts Shortages

On balance, the trend of shipments of finished goods has been encouragingly upward, though there has been a marked diversity, in general related to the degree to which an industry has been affected by labor disputes and shortages of materials and parts. Thus, in the consumer durables field, radios, alarm clocks, vacuum cleaners, washing machines, and electric irons are currently being produced at or above pre-war levels. In contrast, refrigerators, electric ranges, sewing machines, and watches are still at a rate considerably less than half the pre-war volume.

In the nondurable fields, production advances have been even more marked, but in special areas — particularly men's clothing — production incentive programs through price adjustments have been instituted by the OPA and CPA in an attempt to spur production to meet demands.

On the labor side what has happened? With production reduced and the armed forces being rapidly demobilized, the number of persons employed has declined and the aggregate incomes of those at work has been reduced.

Employment Situation

When V-J Day came last year, the total labor force—military and civilian—stood at 66½ millions, of which 12 millions or 18%, was accounted for by the armed forces. Since then, 8½ million men have been released from military service. However, their transfer into the civilian labor force has not increased the civilian labor force by the same amount. Concurrently, a total of nearly 6 million youths of school age, older people, and housewives who had taken war jobs, withdrew from the labor force. Thus the number of civilians for whom jobs must be provided has risen only about 2½ million.

Employment, on the other hand, declined after V-J Day as the war industries laid off workers. But here again a counteracting movement started, as trades and services began to hire in considerable numbers the workers who had not been available to them during wartime. Other manufacturing industries, and construction, also provided added employment. The net result of these movements is that employment is now back at the level of V-J Day.

These adjustments were not, of course, accomplished without some friction. Many communities which had been wholly or in large part engaged in war work were faced with immediate and widespread unemployment. Many individual workers had to make difficult readjustments in the transition from war to peace employment.

Unemployment now stands at a figure about equal to the extent of the increase in the civilian labor force; that is, between 2½ and 3 millions. There is, however, at present a considerable number of persons normally in the labor force who are neither at work nor actively seeking work. Furthermore, there is still a large number of veterans yet to be discharged. As these enter actively into job-seeking, it is evident that to prevent an increase in unemployment substantially more jobs will have to be provided than were available on V-J Day.

A concomitant of the drop in employment which occurred in major segments of the economy after V-J Day was a reduction in weekly earnings, caused by reductions in hours worked and in premium payments, and by shifts in jobs. This threatened a considerable loss of consumer income. Pressure consequently developed toward an increase in basic wage rates, and, by April, straight-time hourly earnings in manufacturing rose between 4 and 5%. Notwithstanding this tendency, weekly earnings were then still less by 7%.

Total wages and salaries in the first quarter of the year were down about 12%.

Since that time the industrial disputes which cut earnings in manufacturing during the period have been settled, and higher wage rates are going into effect. This, with rising production, will result in an increase in manufacturing payrolls, which in turn will contribute toward the rise in income payments by private industry.

Price Structure

In large measure the lasting character of the benefits to be derived from rising production and sustained high employment will depend upon the soundness of the price structure. Upward pressure on prices has been severe during the transition and will continue for some period ahead until production catches up with demand. This is the basis for continuation of the price controls which are just as essential now as they were during the war, to prevent a rapid spiraling of prices and costs with all its disastrous effects.

The effectiveness of price controls in limiting the advance of living costs was demonstrated during the war. Although price increases were widespread and substantial, the rise was without doubt much smaller than it would have been without controls.

With the easing of many wartime controls, and free consumer spending, prices have moved upward at an accelerated pace since last August. Price adjustments have been approved for many goods, either as incentives to increasing the output of bottleneck items or to take account of advances in costs. In those few areas not subject to control—such as in real estate—the upward pressure has exterted its full effect and the price rise has far outstripped that in controlled commodities.

Production is the key factor which will determine when price controls can be safely removed. If the speculative factors in the current situation should become dominant, prices will at some point outstrip consumer willingness and ability to buy, and the sequence will end, as previous experience has shown, in a sudden and sharp deflation.

I have discussed reconversion problems of broad national importance, those which affect people in all kinds of economic activity and all regions. There are others, of course, which are generally recognized, and still others which differ in nature depending upon particular circumstances of geography or climate. Mr. Wyatt has presented the housing problem, which governs the development of the construction industry in the immediate future.

Agriculture

Turning for a moment to agriculture:—farm population and income trends, and the forces shaping these trends, will determine the farm market of the future. The importance of this segment of the economy, both to the individual business and to the economy as a whole, warrants an attempt to appraise those forces.

In appraising the buying power of the farming population, there are three separate periods to be considered. For the near future the strong supply-demand situation implies a level of farm income and buying power even exceeding the wartime peak.

The output of farm products for the present year is projected at a level about equal that of 1945. This volume is hardly sufficient to meet domestic demand and fill the most urgent needs of foreign markets. Such favorable conditions can not continue indefinitely—an ultimate relaxing of present tendencies is inevitable.

For the intermediate period, therefore, an important consideration is the existing legislation which puts a floor under the prices of the major agricultural products, which account for about two-thirds of the total output. This legislation obligates the Government to maintain these prices of 90% of parity (92½% for cotton) for a period of two years following the January 1 after the war emergency has been declared by the President or by Congressional action to have ended.

Since this declaration has not yet been made, the guarantee applies at least through the calendar year 1948. While the immediate outlook appears favorable, so that these supports should not be needed, there is no assurance that Government aid will not be necessary before the end of the guarantee period.

It has been estimated that a reduction from present farm prices to the support levels, with corresponding declines in unsupported commodities, would reduce gross farm income by about 20%. This would still leave gross income above any year prior to 1943 and more than double the 1935-39 average. However, were such a decline once initiated, income

doubtless would subsequently be more seriously affected.

Of most importance, undoubtedly, is the longer run period. Support prices offer only a stop-gap. Implicit in the fundamental solution must be a continuation of relatively full production and high income generally.

International Trade

Sharing the spotlight with domestic industrial and agricultural developments at present is the field of international relations. There has been a vivid reawakening of interest in foreign commerce.

The United States entered the reconversion period as the greatest trading nation in the world. We have a strong national interest in an expanding postwar trade, not only as a means of maintaining maximum domestic employment and production but also as a means of the most economical use of our resources. Moreover, our position in economic affairs carries with it a heavy responsibility for contributing to world prosperity by working towards a high volume of foreign trade and foreign investment.

What are the prospects for an expanded foreign trade? The accumulated demand in foreign countries for goods which were not obtainable to any appreciable degree during the war is bound to be a significant factor in our export trade during the period ahead. Some of these demands can not be met for the time being; export controls will have to continue in the case of various goods certain to remain in short supply.

The general revival and expansion of international trade has in many cases been held back because of difficulties in harmonizing the trade policies of individual countries into smoothly working patterns. But the prospects for a sound expansion of foreign trade on a sustaining basis are bright. The Anglo-American Financial Agreement and the establishment of the Bretton Woods institutions provide a firm foundation for developing and sustaining world trade on a high level.

Before the war Great Britain was this country's most important customer, as well as the world's largest importer. The approval of the proposed credit of $3,750,000,000 to Britain will be reflection of our interest in promoting British recovery, not only because the United Kingdom has traditionally been our best single customer but because it is in our interest to keep the area of free enterprise as broad as possible.

It must be remembered that foreign ability to pay for our exports is only in part dependent upon the extension of dollar credits. A large volume of dollar assets has been accumulated by various foreign countries in the United States. The war itself made it possible for many countries to add substantially to their dollar resources. With the conversion of our industries and the use of our materials for war purposes, we eliminated for export many products which would ordinarily have found their way to foreign markets. At the same time we bought metals and other raw materials of war, and thus provided many foreign countries—particularly those in Latin America—with dollar buying power which can be utilized in our markets.

Gilbert Coultry With Leason & Company

CHICAGO, ILL. — Gilbert H. Coultry, member of the Chicago Stock Exchange, has become associated with Leason & Co., Inc. 39 South La Salle Street. Mr. Coultry has been active as an individual member of the Exchange.

Merger of Mellon Securities Corp. Into First Boston Corp. Voted by Directors

(Continued from page 3481)

"The merged corporations," Mr. Macomber said, "will implement each other in various phases of the securities business since they are largely complementary rather than competitive in their areas of securities distribution. The First Boston Corporation has no offices in Pittsburgh while the principal retail sales outlet of Mellon Securities is in and adjacent to Pittsburgh which is a highly important market for investment securities.

"While Frank R. Denton, President of Mellon Securities Corporation has decided to retire from the investment banking business, under the plan of merger most of the key officers of Mellon Securities Corporation will become associated with The First Boston Corporation."

John R. Macomber, Chairman of the Board of Directors, Allan M. Pope, President and a member of the executive committee, and Harry M. Addinsell, chairman of the executive committee of The First Boston Corporation will occupy the same positions with the merged corporation which will retain the name of The First Boston Corporation.

Members of the executive committee will include in addition to Messrs. Pope and Addinsell, James Coggeshall, Jr., Eugene I. Cowell, Nevil Ford, Aubrey G. Lanston, Duncan R. Linsley, William H. Potter, Jr., George D. Woods, Vice-Presidents of The First Boston Corporation, and Hugh D. MacBain, who will become a Vice-President of The First Boston Corporation.

Messrs. Lanston and MacBain are additions to the executive committee, the others being currently members of the executive committee of The First Boston Corporation.

Directors of The First Boston Corporation will be increased from the present 21 to 29 by the addition of F. A. Cannon and Edward H. Ladd, III, now Vice-Presidents of The First Boston Corporation and six officers of the present Mellon Securities Corporation. The latter are, in addition to Mr. MacBain, A. B. Brushaber, George J. Gillies, S. Davidson Herron, James N. Land, and Arthur B. Van Buskirk. Messrs MacBain, Brushaber, Gillies, and Herron will be Vice-Presidents of The First Boston Corporation. Mr. Thomas T. Coxon, Vice-President of Mellon Securities Corporation does not plan to join the enlarged organization of The First Boston Corporation. Mr. Land will not be engaged actively in the securities business. Mr. Van Buskirk will be the only representative on the Board of Directors of The First Boston Corporation for the present stockholders of Mellon Securities Corporation.

Other directors of the merged corporation will be Harry M. Addinsell, Charles F. Batchelder, James Coggeshall, Jr., Eugene I. Cowell, Nevil Ford, Joseph W. Hambuechen, Arthur B. Kenney, R. Parker Kuhn, Aubrey G. Lanston, Duncan R. Linsley, James A. Lyles, John R. Macomber, John C. Montgomery, Louis G. Mudge, James H. Orr, Allan M. Pope, William H. Potter, Jr., Frank M. Stanton, Winthrop E. Sullivan, George D. Woods and Adolphe H. Wenzell, all of whom are presently directors of The First Boston Corporation.

Under the terms of the merger, the owners of Mellon Securities Corporation will receive 112,500 shares of class A capital stock which will be non-voting as long as it is held by Richard K. Mellon and his sister, Mrs. Alan M. Scaife, who are the present owners of Mellon Securities Corporation; plus an amount of non-voting 3½% cumulative preferred stock to be determined on the basis of June 30 audit figures.

The 112,500 shares of non-voting class A capital stock will comprise 20% of the 562,500 shares of capital stock of the corporation to be outstanding. Except for the fact that the class A stock is non-voting there will be no difference between this stock and the other common capital stock now outstanding.

The preferred stock will represent the difference between the net worth of Mellon Securities Corporation on June 30, 1946 and the value of the 112,500 shares of non-voting class A capital stock which will be valued at the per share book value of The First Boston Corporation's now outstanding capital stock as of June 30. The preferred stock will be valued at its par value of $100 a share.

In explaining reasons for the merger, Frank R. Denton, President of Mellon Securities Corporation, in Pittsburgh, said:

"For some time we have been considering an expansion of our present activities in order to become more active in the markets for United States Government and municipal bonds and seasoned corporate securities. Such a step would have involved the addition of trading specialists, and additional offices in other cities. We believe that our objective will be accomplished, if approved by the shareholders, through a merger with The First Boston Corporation, whose existing facilities and services blend with ours and thereby provide a completely rounded investment banking business.

"This move on the part of the stockholders of Mellon Securities Corporation shows continued confidence in the future of American investment banking. The capital funds of Mellon Securities Corporation are being continued in the combined and enlarged First Boston Corporation to enable the future capital needs of business to be served better through providing more comprehensive nationwide facilities."

At present The First Boston Corporation has 450,000 shares of capital stock outstanding, held by about 8,000 stockholders.

The First Boston Corporation, which adopted its present title in 1934, traces its history back to The First of Boston Corporation which originally was an affiliate of The First National Bank of Boston, and to the pioneer investment banking firm of Harris, Forbes & Co., which later became the Chase-Harris Forbes Corporation when merged with the Chase Securities Corporation, formerly an affiliate of the Chase National Bank of New York.

Many of the people now identified with the management of The First Boston Corporation originally were associated with Harris, Forbes & Co., or The First of Boston Corporation.

Executive offices of The First Boston Corporation are in New York and Boston. Other offices are maintained in Buffalo, Chicago, Cleveland, Hartford, Philadelphia, Providence, Rutland, Vt., San Francisco, Springfield, Mass. and Washington, D. C. The Pittsburgh office will be one of the major offices of The First Boston Corporation.

Mellon Securities Corporation has been prominent in the field of industrial financing while, up to the last year or two, The First Boston Corporation has been engaged chiefly in the underwriting, distribution and trading in utility, municipal and Government bonds. Both firms have been among the leaders for many years in the aggregate annual amount of corporation securities underwritten and

The First Boston Corporation's trading division is one of the largest in the field.

Mellon Securities Corporation was originally organized Feb. 11, 1931 with a capital of $250,000 by Richard K. Mellon, who became its first President. In 1933 Richard K. Mellon was succeeded as President of Mellon Securities Corporation by Frank R. Denton, previously Vice-President, who has headed the company since then. In 1935, on its entrance into the underwriting field, Mellon Securities Corporation increased its capital stock from $250,000 to $5,000,000.

The late Andrew W. Mellon, uncle of Richard K. and Mrs. Scaife, was a Director of Mellon Securities Corporation after his retirement from official life as United States Ambassador to Great Britain and, previously, Secretary of the Treasury. This was the only business organization he joined between his retirement from public office and his death in 1938.

El Salvador Announces New Debt Plan

(Continued from page 3476)

New bonds issuable for principal amounts of outstanding bonds for Series A $2,475,000 at 4%.

New bonds issuable for principal amounts of outstanding bonds for Series C $5,285,600 at 3½%.

New bonds and convertible certificates issuable for interest funded at 50% of amount owing for 8 years for Series A $792,000 at 3%.

New bonds and convertible certificates issuable for interest funded at 50% of amount owing for 8 years for Series C $1,479,900 at 3%.

Convertible certificates may be exchanged for the new 3% bonds until July 1, 1950 (or such later date as El Salvador may specify), when held in amounts of $100, $500 or $1,000. After the exchange period expires, the holder of convertible certificates will be entitled to a cash payment for his pro rata portion of the proceeds resulting from the sale (less expenses) of the 3% bonds underlying the certificates, plus the matured interest on the 3% bonds.

The offer will remain open for acceptance until Jan. 1, 1949. The Republic, however, reserves the right to extend the time for acceptance if it considers it advisable to do so.

Holders of certificates of deferred interest (Scrip Certificates) issued under the 1933 Plan with respect to bonds of Series C, are offered a cash payment at 15% of their face amount on surrender. In line with its general policy, the Council makes no recommendation as to a purchase offer.

Fiscal Agent for the new bonds is Banco Central de Reserva de El Salvador. The published announcement states that copies of the offer and letters of transmittal for dollar obligations may be obtained from the New York agent of the Fiscal Agent—The National City Bank of New York, Corporate Agency Department, Basement "A," 20 Exchange Place, New York 15, N. Y.

Bledsoe Pinkerton is With A. M. Kidder Co.

Bledsoe C. Pinkerton, Captain A.U.S., has become associated with A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, in their syndicate department. He was with Dominick & Dominick prior to entering the armed forces. In the past he was in charge of the New York office of Reinholdt & Gardner and was corporate trading manager for the New York office of Alex. Brown & Sons.

Hollyday to Be Pres. Of Mortgage Bankers

CHICAGO, ILL.—Guy T. O. Hollyday, president of the Title Guarantee and Trust Company, Baltimore, has been nominated for president of the Mortgage Bankers Association of America for the 1946-47 term to succeed Byron V. Kanaley of Chicago, A. D. Fraser of Cleveland, chairman of the organization's nominating committee, announced here today.

Guy T. O. Hollyday

John C. Thompson was nominated for vice president. He is president of the New Jersey Realty Co. and New Jersey Realty Title Company of Newark. Nominations are tantamount to election which will take place at the 33rd anual convention in Cincinnati Sept. 30 and Oct. 1 and 2. The announcements were made here this morning at the mid-year meeting of the Association's board of governors at the Palmer House. Other members of the nominating committee include Sen. Frank L. Wilkinson, Kansas City; Frederick P. Champ, Logan, Utah; W. L. King, Washington, D. C., and Joseph M. Miller, New Orleans.

Mr. Hollyday has long been active in the Association's affairs and is director of Randall H. Hagner & Company, Inc., Savings Bank of Baltimore, Loyola Federal Savings and Loan Association and various real estate companies in Baltimore. He is a trustee of the Citizens Planning and Housing Association of Baltimore, a director of the Council of Churches of Maryland and Delaware and a vestryman of the Church of the Redeemer. He is a past president of the Real Estate Board of Baltimore and former chairman of the Home Builders Division of the National Association of Real Estate Boards. He was educated at the Boys Latin School in Baltimore and received a B. A. degree from Johns Hopkins University. During the first World War he was a first lieutenant, machine gun troop, 11th U. S. Cavalry. During the last war he was the senior patrol officer of the Baltimore regiment of the Coast Guard. His hobby is trout fishing.

Kurz-Kasch Stocks Offered at $4 Per Sh.

Smith, Hague & Co. of Detroit and F. H. Koller & Co., Inc., of New York, are offering jointly an issue of 75,000 shares of common stock, par $1, of Kurz-Kasch, Inc., of Dayton, Ohio, producers of plastic molded products. The offering price is $4 per share.

Kurz-Kasch, Inc., and its predecessor company have been engaged in the plastic molding business since 1922 and numbers among its customers many of the country's outstanding manufacturers of industrial electrical parts, radios, and household appliances. Present orders on hand aggregate more than $2.5 million.

Proceeds of the current financing will be used in part to discharge bank loans and Federal obligations. The balance, amounting to approximately $100,000 is to be used for additional working capital.

With Wachob-Bender Corp.

(Special to The Financial Chronicle)

OMAHA, NEB.—Robert F. Bender and Elvin J. Ternus are with Wachob-Bender Corp., 212 South Seventeenth Street.

Post-War Export Quotas

(Continued from page 3484)

shipments from this country. An illustration of this last point is tinplate, which American mills, in keeping with past trade patterns, ship voluntarily to Latin America and certain other markets, but are reluctant to ship to Europe and the Far East, which are not normally U. S. markets, but where there is a very acute need arising from the world food situation.

Where, however, there is not a clear-cut and sound justification for limiting or directing the course of export, the CPA has followed a "hands off" policy. We have considered that through the use of export controls we interfere with normal business activity in exactly the same way in which we interfere with normal business activity when we exercise domestic controls. In addition to the export houses, many industrial establishments themselves place a great deal of emphasis on export business. Like its domestic operations, export business contributes to a company's long run prosperity and its ability to maintain employment. In many cases exports determine whether a company succeeds or fails. Subjecting manufacturers or export establishments to crippling restrictions, and telling them that they cannot ship more than this quantity or can ship only to this or that area, delays and interfers with the return of a free economy just as unnecessary domestic use of allocations, priorities, Limitation Orders, etc., delays and interfers with the return of free economy.

As I pointed out in the beginning of this statement, however, this does not mean that the CPA is permitting overseas shipments to result in an undue drain on materials and equipment which are essential to reconversion and which are in critically short supply in this country. For items in this category, we have consistently taken the position that we have no choice but to exercise restraints over export.

Joint Committee on Export Controls

Prior to the end of the war, there was established the Joint Committee on Export Controls, including representatives of the CPA, the Department of Commerce, the Department of State, and a number of other Government agencies concerned. This Committee was charged with responsibility for reviewing, item by item, all products which were then subject to export restrictions. The Committee was to decide, on the basis of analysis of the U. S. supply situation, which products might be freed from export controls without danger to the American economy. By the end of September, 1945, this Committee had made arrangements for placing the great majority of items on a "free list." It left, however, such items as were then considered critical under control.

Since the end of September, 1945, the Joint Committee on Export Controls has found that many commodities which had been originally left under control could be safely added to the free list as a result of easing supply conditions. On the other hand, it sometimes has found that commodities which earlier had been in sufficiently easy supply to be placed on the free list, have become for one or another reason tight. These have therefore had to be placed back under control.

We expect to maintain the Joint Committee on Export Controls until such time as the reconversion job is done. The policy of the Committee will continue to be the elimination of controls as rapidly as possible except where there is clear and sound justification for retaining them.

For the limited number of commodities still under restrictions, there are two degrees of controls. All are subject to export licensing by the Department of Commerce. In addition, a number (those which are in exceptionally tight supply or for which the foreign demand is particularly heavy) are under CPA quota limitations. These quotas are ceilings, beyond which exports cannot go. In two instances (cotton broadwoven goods and tinplate) they are also guaranteed quantities which shall be made available for export.

Fixing Quoats

Quotas are established in the following manner: The Office of International Trade of the Department of Commerce presents to the CPA a statement of requirements which it considers essential to meet the minimum needs of friendly foreign nations. This statement is reviewed by the Bureau of International Supply. The Bureau of International Supply through our Exports Division after its review recommends quantities which it feels can be allowed for export in light of the domestic supply situation as weighed against the demonstrated urgency of foreign need. These recommendations are submitted to the CPA Priority Policy Committee, which consists of representatives of all Government agencies having an interest in the problem. Final determination of a quota is made as a result of the deliberation of this Committee.

There are thus three distinct steps involved in the fixing of a quota. In each of these there is a most careful screening operation or, to put it more exactly, a process of reducing stated requirements to the minimum compatible with the commitments and obligations of the United States.

With respect to this matter of commitments and obligations of the United States, you are aware, of course, that this Government, as a member of the family of nations, has assumed important responsibilities in connection with meeting the basic needs of friendly foreign countries. While these responsibilities have been couched in general terms, they are nevertheless very real. In the short time allotted to me here, I cannot define them adequately, and, in any event, a definitive statement in regard to them would need to come from the Department of State. But the following may be suggestive of their character.

As regards the liberated areas, the President in his message to Congress on Sept. 6, 1945, said:

"I am directing the Executive agencies to give full weight to foreign requirements in determining the need for maintaining domestic and export controls and priorities. We have already solemnly stated that we will do all that is reasonably possible to help war-torn countries to get back on their feet."

In a public statement issued on Sept. 17, 1945, President Truman also stated:

"When I returned from Potsdam I said, 'If we let Europe go cold and hungry, we may lose some of the foundations of order on which the hope for world-wide peace must rest. We must help to the limit of our strength and we will.' That pledge, made not only to our Allies, but to the American people, must be kept."

With regard to Latin America, this Government obligated itself during the war to give "parity treatment" to the minimum essential requirements of the other American Republics. This policy was first enunciated by Under-Secretary of State Sumner Welles at Rio de Janeiro on Jan. 15, 1942. The key sentence in this speech was as follows:

". . . The policy of my Government (is) being interpreted by all of the appropriate agencies as calling for recognition of and provision for the essential needs of the American Republics equal to the treatment accorded United States civilian needs."

We have been advised by the Department of State that this policy, in general, should remain in effect during the transition period from war to peace. A similar, though less well defined policy, applies to other friendly foreign countries.

With respect to Canada, the Hyde Park Agreement still prevails. This Agreement called for a "merging" of the two economies —Canada and the United States— and stipulated the principle of mutual reciprocity in dealing fairly and equitably with each other.

These commitments of international policy are, of course, very general and imprecise in character. They nevertheless provide a broad, theoretical basis for determining the minimum level of export quotas. When it comes to setting actual figures, however, it is necessary to employ a number of supplementary criteria.

Criteria of Quotas

What are these criteria? This is not an easy question to answer, because the problems presented by different commodities are often widely different. Nevertheless, in general, there are several principles which are applied to every export quota request, and I should like to summarize these briefly:

1. *Historical Precedent*—A comparison with past performance often provides useful information in appraising the appropriateness of a foreign export quota request. During the war years, a comparison with previous performance was not too valid, particularly when the previous period was a pre-war period, because of the extreme economic dislocations caused by the war. In the post-war period, however, comparisons with pre-war exports often have some validity. Even now, however, allowance must be made for changes occasioned by the war such as losses in productive facilities resulting from war damage, losses of alternative sources of supply, particularly enemy areas (e.g., Japanese textiles), war-stimulated industrial expansion (e.g., Latin America tanning industry), or simply increases in population. However illogical it may be in some instances to use historical precedent as the basis for establishing an export quota, in many it can be used successfully. Where it is used, it has the advantage of being easy to calculate, easy to understand, and generally it is accepted as "fair" by the public and by foreign countries.

2. *Direct Benefit to the U. S.*—No matter what words are used to describe it, obviously one of the major considerations involved in any quota decision is: "What do we get out of it?" Most benefits derived by U. S. citizens from the export of critical materials are quite general in character, incapable of exact measurement, and received by such indirect processes as to be beyond average comprehension or at least appreciation. In some cases, however, it is possible to translate an export of a given amount of goods to a certain foreign country into a benefit which will redound directly and promptly to the United States.

The clear example of this type of situation is one in which equipment is provided for mining or producing materials which are to be exported from the country of origin, entirely or in part, to the United States. Examples of this are equipment to rehabilitate the tin mines of Netherlands East Indies, mining machinery for the copper and lead mines of Mexico, Peru and Chile, etc. Another situation of this character, almost equally direct in its benefits to the United States, but not nearly as well understood, is the supply of incentive goods to stimulate production in foreign countries of materials needed in this country. Most incentive goods are consumers end items: Clothing, food, household utensils, small tools, and other items fo merchandise commonly found in dime stores or mail-order catalogues. Many people fail to understand why we should be sending such merchandise, in short supply in the United States, to Java, Indo-China, Siam, Belgian Congo and other such out-of-the-way places. The fact is that this country is vitally dependent upon imports from all over the world of essential raw materials: Tin, rubber, copper, lead, antimony, innumerable ores and chemical raw materials, hides and skins, cordage fibers, coffee, sugar, tea, and many other foods, to mention only a few. Particularly in those countries of the world where the general standard of living is low, people simply will not work unless they have something on which to spend their money. In many countries, in fact, currency has become virtually worthless, and trade goods of this sort are the accepted means of wage payment. In a very real sense, therefore, the supply available to the United States of these scarce materials is directly related to the quantities of trade and incentive goods which we supply to these areas.

The above are situations where the line of causation between supply of materials from the United States and benefits derived by the United States is fairly direct. There are innumerable other cases where the causation is difinitely present but not so direct and obvious. The export of rehabilitation equipment to the war-devastated areas of Europe speeds the day when these economies will be economically self-supporting, and thus reduces the drain on the U. S. of food and other essential supplies, not to mention the economic advantages to the U. S. of the restoration of peace, order and economic prosperity in the world economy.

3. *Impact on the U. S. Economy*—Each export quota request is examined in terms of the urgency of the end-use (from the standpoint of prevention of disease and unrest abroad, maintenance of the essential civilian economies of friendly foreign nations, fulfilment of a specific commitment of the U. S., support of a U. S. import program, etc.) as weighed against the impact which supply of the quantity requested will have upon the U. S. economy. While in most cases the quantity of a material requested for export represents a small percentage of U. S. production, usually less than 5%, we have found that it is impossible to treat lightly the effect of the demand on this country. During the war years, there was such a delicate balance between the supply and demand for most commodities that even a 1 or 2% extra requirement was of great significance. For such commodities as have remained critical, this has continued true on into this reconversion period. When it is considered, for example, that U. S. production of lumber is currently at a rate of over 8 billion board feet per quarter, one would think that it is of little moment whether the export quota is set at 200 million borad feet or 400 million board feet. As a matter of fact, however, it is a matter of very great importance. We are in a situation now where literally every board foot of lumber which leaves the country makes a difference in the fulfillment of our own programs. Despite smallness (percentage wise) of an export requirement for a critical material, then, we feel that we are under a definite obligation to exercise every precaution in regard to it.

In addition, there are a number of instances where the percentage of production represented by export demands are quite large. For commodities like rosin, cotton textiles, trucks, automobiles, and tinplate, the foreign need is so large and the demands so heavy that our supplies would be seriously jeopardized if we did not screen them down to the absolute minimum.

At the same time, the real, effective impact of the export need must be measured not only in terms of the quantity involved, but also in the degree to which we are able to adjust to that export drain. In some cases, a given export drain strikes at domestic needs of the highest essentiality and no readjustment of domestic consumption is possible. In other cases, it is possible to effect readjustments of consumption at home so that the effective impact of export shipments are not unreasonably burdensome.

These constitute the general criteria employed by CPA in determining the proper levels for export quotas.

Goofy Notions on Way Out, Says Rukeyser

(Continued from page 3484)

prise system is vastly more productive than Marxist and half collectivist systems of Europe and Asia. The speaker added that our tempo of progress will be quickened as soon as we stop offsetting the creative ideas of technology with the foolish notions of goofy politicians and social scientists. The speaker stressed the necessity of perspective at this time so we could distinguish between ideological confusion, on the one hand, and the human letdown after the war strain, on the other.

"The United States," Mr. Rukeyser, who is author of "Financial Security in a Changing World," declared, "must carry a heavy load through this transitional period of civilization is to be perpetuated. In the circumstances, we should deliberately foster the ingredients which experience has shown strengthen us. We should submit the dilettante planners and loose talkers to audits based on honest national bookkeeping in double entry form.

"As we release the full vigors of a competitive economic society, we can go upward and onward, and make the United States anew the land of opportunity for the young and the ambitious. A restoration of competition and of truth will come as a relief to the people after the years of bogus liberalism, based on the economist Keynes' scheme to run a society by manipulating money, on the one hand, and by robbing Peter to pay Paul, on the other. A symbol of a new chapter in American life, based on common honesty, will be monetary reformation, in which the dollar once more becomes a receipt for goods produced rather than a politician's arbitarary edict."

Mr. Rukeyser analyzed the outlook for realistic interest rates and discussed banking as a career.

Mr. Rukeyser, on his return East, will inaugurate a new radio feature over the Mutual Broadcasting System beginning on June 26 with Cecil Brown, war correspondent, under the caption, "The Battle of the Commentators."

Claude Johnson With Field, Richards Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — Claude U. Johnson has become associated with Field, Richards & Co., Union Commerce Building. Mr. Johnson formerly conducted his own investment business in Cleveland.

SEC Proposal Would Deal Body Blow to Over-the-Counter Industry

(Continued from page 3471)

circumscribes the activities of directors, officers and principal stockholders.

The last president of the New York Stock Exchange conducted an aggressive, nation-wide campaign to obtain amendments to the Securities Act of this character on the grounds that the listed and over-the-counter markets should be "equalized." We believe the campaign was actually prompted by the fact that many corporations approached by the Exchange in an endeavor to get them to list their securities contended that the Exchange's disclosure requirements and those imposed by the Securities Act of 1934 and the SEC were too onerous. That objection is as sound now as then.

The New York Curb Exchange also favored "equalization" because under the provisions of the Securities Exchange Act of 1934 having to do with granting of unlisted trading privileges on exchanges to equity securities, and under the policy followed by the SEC, new admissions of stocks to unlisted trading privileges on Exchanges had been rather limited.

However, more and more there has been a marked change in the Commission's attitude toward this problem. The interpretation and application of the rules have been greatly liberalized.

The Commision is not satisfield with the fact that in *all* security trading whether on the exchanges or over-the-counter, fraudulent and manipulative practices have already been effectively barred.

It seeks other "safeguards."

In the appendix to its report appears the proposed bill (appears on page 3471 of this issue) which would extend the provisions of the above sections to unlisted securities of corporations which have at least $3,000,000 in assets and at least 300 security holders.

The SEC states that only about 3,090 corporations would be affected by its proposal apparently to minimize its importance. That it is an issue of real magnitude, however, becomes obvious when one reflects on the fact that the securities of only 1,140 corporations are listed on the New York Stock Exchange and those of only 812 are traded on the New York Curb Exchange of which 379 are fully listed and 433 are traded on an unlisted basis. About 95% of the transactions on all exchanges of the country take place on the New York Stock and Curb Exchanges.

It can hardly be over-emphasized that the instant proposal is not only in direct conflict with public interest but also constitutes a grave danger to large and small over-the-counter dealers throughout the country.

If the proposal were put into effect many of the purely over-the-counter securities which constitute the bread and butter of the dealers would then be at least traded on an unlisted basis, say on the New York Curb Exchange.

By a gradual process the SEC apparently seeks to erase distinctions between the over-the-counter market and the auction market.

We remind the Commission that both the auction and the over-the-counter markets have distinct characteristics, accrued as a result of decades of trade practice and usage and that these dual markets have served our economy well.

Any requirement that the larger corporations whose securities are now traded only over-the-counter make disclosures comparable with those whose issues are traded on the exchanges would obviously alter this situation radically.

It is therefore imperative that this potential threat be resisted. This can be done effectively only by the united opposition of the issuer corporations that would be affected and all members of the over-the-counter industry from coast to coast.

To throw further light on the subject all of our readers are invited to send in their comments on the Commission's proposal to the Editor of the Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y. Your name will not be published if you do not wish it revealed.

F. L. Putnam Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—F. L. Putnam & Co., Inc., 77 Franklin Street, have added to their staff, Alexander L. Lovequist, Gerard E. Mixson, George Taloumis, and Louis F. White.

Cox With Wibbing

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Paul J. Cox is now with O. H. Wibbing & Company, Security Building, St. Louis, Mo. He was formerly with Prescott, Wright, Snider Company and B. C. Christopher Company.

"Share Thru Care" Campaign Inaugurated

(Continued from page 3483)

of the Quartermaster General, originally directed the department that developed the "10-in-1" package.

"Just to stay alive we require 1,200 to 1,400 calories," he said. "To perform daily work we must have more. European rations are now generally at the bare minimum level. Any move that is made to supply Europeans with food now will be beneficial to us in the long run because it will enable them to get on their feet more quickly.

"Those of us who spread the story of CARE food packages for Europe also perform a service to our countrymen — people with friends or relatives in hungry Europe to whom they can get aid quickly and surely through the CARE plan."

CARE is set up to make immediate deliveries and return signed receipts to donors of packages going to Austria, Czechoslovakia, Finland, France, Greece, Italy, Norway, Poland, the Netherlands, and to the American zones and sectors in Germany. Under agreements with the individual governments made with the approval of the United States State Department, the packages are exempt, duty free and without curtailment of the regular rations of the recipients. Packages have already been moved forward to some countries to be ready for distribution when the CARE remittance forms purchased here are airmailed to the CARE representatives.

CARE, a non-profit organization, is operating with the approval of President Truman and is made up of 24 member agencies concerned with sending food to Europe which operates as one unit in order to guarantee quick delivery of larger quantities of food.

Present at the meeting as guests of honor were the Consuls General of seven of the participating countries or their representatives. They were the Honorable John Kalergis, Consul General of Greece, Mr. Nicholas B. Lely, Greek Minister of Information, Mr. Kurt Linden, Vice Consul of Finland, Mr. L. Brasseur, Assistant Consul Generale of France, Honorable G. R. G. Van Swinderen, Acting Consul General of the Netherlands, Mr. N. Bolstad, Consul of Norway, Mr. C. Milosz of the Polish Consulate and the Honorable B. Syrovy, Consul General of Norway.

Canadian Production Lags Behind Demand

Pressure for production of all kinds continues to characterize the present business situation in Canada, the Bank of Montreal reported in its business summary issued on June 24. Against a background of buoyant domestic purchasing power, large-scale government credits to finance exports, immense food shortages abroad and the urgent need for increased housing accommodations at home, the report continues, supplies of many commodities and services are still inadequate despite the rapid rate of industrial reconversion. Production has been impeded by the indirect effect of recent strikes in the United States and latterly by a number of important labor disputes in the Dominion.

Strength of present consumer buying power, according to the report, is apparent in retail sales data for the first four months of 1946, which show that Canadian retail sales, in dollar volume, were 13.8% in excess of the corresponding figure for 1945.

New Enterprises, Inc. For Venture Capital

BOSTON, MASS. — Announcement is made today of the formation by a group of Boston businessmen and bankers of New Enterprises, Incorporated, a Massachusetts corporation to provide venture capital for new enterprises.

Officers of the corporation include William A. Coolidge as President and Eugene B. Hotchkiss as Vice-President. Mr. Coolidge was formerly associated with the law firm of Ropes, Gray, Best, Coolidge & Rugg and is a special partner of the investment banking firm of Paine, Webber, Jackson & Curtis. Mr. Hotchkiss is a graduate engineer with experience in the U. S. Patent Office and with the New York Telephone Company. During the war he was associated with the Office of Scientific Research and Development.

In addition to Messrs. Coolidge and Hotchkiss, directors include Charles Francis Adams, Jr., of Paine, Webber, Jackson & Curtis; Brig.-Gen. Georges F. Doriot; Malcolm W. Greenough, of Hutchins & Parkinson; James J. Minot, of Paine, Webber, Jackson & Curtis; Richard C. Morse, President of National Research Corp., and Quincy A. Shaw, Jr., Treasurer of North American Mines, Inc.

"New Enterprises, Incorporated is interested in developing new ventures based on the application to industry of novel techniques or new scientific developments," Mr. Coolidge states. "In contrast to certain larger organizations in the venture capital field, we are willing to give financial support to ventures in the earliest stages of their development, when immediate capital requirements may be small; as well as ventures which have reached or passed the stage of 'pilot' operation.

"We believe that the wartime stimulation of research will bring a great opportunity in the next few years for the development of new products and processes on a commercially successful basis. In addition to stimulating new scientific discoveries, wartime experience demonstrated that modern engineering methods can quickly convert laboratory ideas into finished products.

"It will be our purpose to furnish investment capital to enable similar development of new peacetime enterprises from the laboratory to commercial production in the shortest possible time."

Subhi Sadi To Represent Chase Bank

The Chase National Bank has designated Subhi M. Sadi, who served as a Major in the United States Army during the war, as a representative of the bank in the Middle East. He has established his office in Cairo, Egypt at 33 Sharia Malika Farida. Mr. Sadi will maintain contacts with correspondent banks and other customers of the Chase in the Middle East.

Mr. Sadi is a native of Beirut, Lebanon, and received his preparatory education at the American University there before coming to New York and acquiring American citizenship. After graduating from Columbia University in 1925, he later attended the New York University Law School. Prior to entering military service he was a partner in the firm of De Coppet & Doremus, 63 Wall Street. He was stationed in the Middle East most of the time while on wartime duty.

Marvin Leggett Dies

Marvin C. Leggett, Vice-President and Midwestern representative for Distributors Group, Inc. died. Mr. Leggett's headquarters were in Chicago.

Miss Marks Wed to Robert S. Boas

Miss Marjorie Evelyn Marks, daughter of Mr. and Mrs. Carl Marks of 2805 Bedford Avenue, Brooklyn, was married to Robert Sanford Boas, son of Mr. and Mrs. Benjamin Wadsworth Boas of 2305 Avenue L, Brooklyn, N. Y., at 6 P. M. Sunday, June 23, in the Jade Room of the Waldorf-Astoria Hotel. Rabbi Harry Halpern of the East Midwood Jewish Center officiated.

Mrs. Robt. S. Boas

The bride wore a white satin gown with Duchess lace. The best man was Cadet Edwin Marks of the U. S. Military Academy, brother of the bride. The matron of honor was Mrs. Edward S. Seligman. There were no ushers or maids of honor at the wedding. The bride is 21 years of age and the groom is 23. The bride is a graduate of Erasmus High School, 1941 and of Cornell College, class of June, 1945. The groom is a graduate of James Madison High School, class 1941. While attending Cornell Mr. Boas enlisted in the U. S. Army. On his return from the service in March 1944 he re-entered Cornell and was graduated in the class of 1945.

The couple will honeymoon in Guatemala and Mexico, going by plane. They will be gone five weeks, afterwards being at home at 2805 Bedford Avenue, Brooklyn.

Mr. Marks is President of the foreign securities firm of Carl Marks & Co., Inc. and Mr. Boas senior, who served during World War II as a Lieutenant Senior Grade USN for three years, is now connected with the investment firm of Ernst & Co.

Hungary Aims to Stop Inflation

Acting Premier Arpad Szakasits on June 23, addressing more than 100,000 persons in the Stadium at Debrecen, Hungary, said that Hungarians would have to work harder, and higher taxes would have to be levied to stabilize the currency. A delayed Associated Press dispatch from Hungary on that date, published in the New York "Herald Tribune," reported these advices, which latter also said:

Acting Premier Arpad Szakasits said that black-market operators would be drafted for foreign labor and "reactionaries" would be eliminated in Hungary's fight against the most fantastic inflation in the nation's history.

Recently a ten-trillion-pengo bank note was placed in circulation with an exchange value of 26 cents in American money. Under prewar exchange values, the note would have been worth two trillion American dollars.

At an interview prior to the stadium speech Szakasits said there was no complete freedom of speech and the press in Hungary, but asserted that when Hungarian democracy was as old as that of the United States it would be just as complete.

Yates With Weeden in S. F.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—George Van Heusen Yates is now with Weeden & Co.'s main office at 315 Montgomery Street. He was formerly associated with the firm in their Boston branch.

Securities Now in Registration

• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Aeronautical Securities, Inc., New York
June 6 filed 500,000 shares of capital stock (par $1). **Underwriter**—Calvin Bullock, New York. **Offering**—The shares will be offered publicly at a maximum offering price of $5,360,000 (de.ermined at the offering price computed on the basis of the net asset value on June 4, 1946, viz., $10.72 a share). **Proceeds**—For investment.

• Aikman (A. M.) Jr. Mfg. Co., Drexel Hill, Pa.
June 20 (let er of notification) 100,000 shares ($1 par) class A common stock. Offering price, $3 a share. No underwriting. **Proceeds**—Of the proceeds, the company will use $75,000 for buildings, $60,000 for machinery and equipment; $50,000 for lumber and hardware, and the remainder as working capital.

• Air Cargo Transport Corp., New York (7/8)
June 19 filed 435,000 shares ($1 par) common stock. **Underwriters**—By amendment. Price by amendment. **Proceeds**—Of the total, 35,000 shares are being sold by stockholders and the remainder by the company. The latter will use $60,000 of the proceeds to repay a bank loan, about $500,000 for new equipment and $250,000 for ground installations at various points in the United States. **Business**—Cargo air carrier.

All American Aviation, Inc., Wilmington (7/1-3)
May 23 filed 100,000 shares of common stock. **Underwriters**—Van Alstyne, Noel & Co.; Francis I. du Pont & Co., and Courts & Co. **Offering**—Stock will be offered to public. Price by amendment. **Proceeds**—Purchase of twin-engine aircraft, etc. For details see issue of May 30.

Allied Stores Corp., New York (7/3)
May 29 filed 257,840 shares of common stock (no par). **Underwriter**—Lehman Brothers. **Offering**—Stock is offered to holders of common stock of record June 18 at the rate of one share for each seven shares held at $47 per share. Rights expire 3 p.m. July 2. **Proceeds**—Net proceeds will be added to the general funds and applied to such purposes as directors may determine. For details see issue of May 30.

American Investment Co. of Illinois (6/28)
May 24 filed 90,000 shares 5% convertible preference stock (par $25). **Underwriters**—Alex. Brown & Sons. **Offering**—Holders of 5% cumulative convertible preferred stock may exchange their holdings on the basis of two shares of preference stock for each share of preferred plus cash adjustment. Unexchanged shares will be offered at $26 through underwriters. **Proceeds**—Redemption of unexchanged shares of preferred.

American Manufacturing Co., Inc., Montgomery, Ala.
May 31 (letter of notification) 300,000 shares. **Offering** price, $1 a share. For purchasing additional equipment and machinery, for plant expansion, and for other general corporate purposes. There will be no underwriter but the securities will be sold entirely within the state of Alabama by Harry Marks, a broker licensed by the state, for an agreed compensation of $5,000.

• American Telephone and Telegraph Co., N. Y.
June 20 filed $125,000,000 40-year debentures, due 1986. **Underwriters**—Company will invite sealed bids for the purchase of the debentures. Probable bidders include Morgan Stanley & Co., and Halsey, Stuart & Co. Inc. Price by amendment. **Proceeds**—To provide funds for additions and improvements to the company's plant and plants of its subsidiaries. **Business**—Telephone service.

American Water Works Co., Inc., N. Y.
March 30 filed 2,343,105 shares of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (Jointly). **Offering**—Price to public by amendment. **Purpose**—The common stock, together with $15,000,000 10-year 3% collateral trust bonds (to be sold privately) are to be issued to acquire certain assets of American Water Works & Electric, liquidate two subsidiaries, Community Water Service Co. and Ohio Cities Water Corp., and provide cash working capital. Common stock is to be offered initially for cash to common stockholders of parent and to public holders of preferred stocks of Community and Ohio in exchange for their shares. Stock not subscribed or issued under exchange offers are to be sold for cash to underwriters. For details see issue of April 4.

American Yarn & Processing Co., Mount Holly, N. C. (7/2)
June 12 filed 15,000 shares cumulative convertible preferred stock (par $100). **Underwriters**—Kidder, Peabody & Co., and R. S. Dickson & Co. Price by amendment. **Proceeds**—Will be added to general funds. For details see issue of June 20.

• Arcadia Airlines, Inc., New York
June 24 (letter of notification) 10,000 shares of common class B stock, non-voting (par $5). Price to public, $10 per share. Not underwritten. Proceeds for working capital.

• Arizona Mining Corp., New York.
June 21 (letter of notification) 299,000 shares ($1 par) common stock and 75,000 option warrants. Offering price: the common stock will be offered publicly at $1 a share and the option warrants will be sold .o Lionel A. West, New York, the underwriter, at 1c each. Of the proceeds, $90,000 will be used to acquire title to mining claims and equipment, known as "Samoa Mine," near Chloride, Ariz., and :he remaining proceeds will be used for working capital.

Arkansas West. Gas Co., Fayetteville (7/5)
June 5 filed 33,639 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Beatrice Foods Co., Chicago (7/10)
May 29 filed 59,862 shares of 3⅜% cumulative convertible preferred stock ($100 par). **Underwriter**—Glore, Forgan & Co., Chicago. **Offering**—Preferred will be offered for exchange to holders of $4.25 cumulative preferred stock on basis of one share of new preferred for each share of $4.25 preferred. Exchange offer expires July 9. **Proceeds**—Redemption of old preferred not exchanged. For de.ails see issue of May 30.

Boone County Coal Corp., Philadelphia (7/5-7)
June 13 (letter of notification) 2,226½ shares common stock (no par) on behalf of the company and 3,973½ shares on behalf of Weldon Corp., Philadelphia, which con.rols the company. **Price**—$25 a share. **Underwriters**—Janney & Co. will act as underwriters for company offer and as agent for Weldon offer. **Proceeds**—Net proceeds to company for general funds.

Booth Fisheries Corp., Chicago (7/1-3)
May 29 filed 15,000 shares of cumulative convertible preferred stock (par $100) and a maximum of 124,126 shares of common stock (par $5). **Underwriters**—Central Republic Co. **Offering**—Preferred and common stocks will be offered to the public. Prices by amendment. Common shares are being sold by six stockholders including Central Republic Investment Co., A. C. Allyn & Co., Inc., and Lee Higginson Corp. The lat.er two companies and Central Republic Investment Co. (one of the selling stockholders) propose to participate as underwriters in connection with the public distribution of the stocks. **Proceeds**—Net proceeds to the company from the sale of preferred will be applied to the redemption of 9,148.5 shares of preferred stock at $105 plus dividends. Balance will be added to general funds.

• Boston Fund, Inc., Boston, Mass.
June 24, filed 500,000 shares ($1 par) common stock. **Underwriters**—Vance, Sanders & Co., Boston. **Price**—At market. **Proceeds**—For investment. **Business**—Investment company.

Brooklyn (N. Y.) Union Gas Co.
May 3 filed $34,000,000 general mortgage sinking and improvement fund bonds due June 1, 1976, and 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. Probable bidders include Halsey, Stuart & Co., Inc. (bonds only); Harriman Ripley & Co., and Mellon Securities Corp. (jointly); The First Boston Corp.; F. S. Moseley & Co., and Otis & Co. (stock only). **Proceeds**—Company plans to refund its entire outstanding long-term debt, to reimburse .he treasury for expenditures made for construction purposes, and to provide funds for the completion of a construction program now in progress and one contempla ed to be commenced in the immediate future. **Bids**—It is expected that bids for the bonds will be received about July 9 and for the stock about July 23.

Budd Company, Philadelphia (7/9)
May 24 filed 540,573 shares of no-par common stock. **Underwriters**—Carl M. Loeb, Rhoades & Co., and Blyth & Co. Inc. **Offering**—Shares are offered for subscription to common s ockholders of record on June 21 at the rate of one additional share for each five common shares held at $16 per share. Righ s expire July 8. Unsubscribed shares will be offered to the public by underwriters. **Proceeds**—To increase working capital and to finance purchases of additional machinery and equipment, etc. For details see issue of May 30.

California Electric Power Co. (7/1)
May 10 filed $16,000,000 first mortgage bonds due June 1, 1976. **Underwriters**—Names to be filed by amendment. Probable bidders include Dillon, Read & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co. **Bids Invited**—Company will receive bids for the purchase of the bonds bearing a 3% coupon up o noon (EDST) on July 1 at office of Bankers Trust Co., 16 Wall Street, New York.

California Oregon Power Co.
May 24 filed 312,000 shares of common stock (no par). Stock will be sold through competitive bidding. **Underwriters**—Names by amendment. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. **Offering**—Stock is being sold by Standard Gas and Electric Co., parent, of California. **Bids Rejected**—Standard Gas & Electric Co. rejec ed June 25 two bids for the purchase of the stock as unsatisfactory. Blyth & Co., Inc., and First Boston Corp. bid of $28.33 a share, and Harriman Ripley & Co. bid of $24.031 a share. Stock will again be pu. up for sale when market conditions improve.

Candego Mines, Ltd., Montreal, Canada
May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business**—Exploring for ore.

Cardiff Fluorite Mines Ltd., Toronto, Can.
June 3 filed 400,000 shares of common stock ($1 par) (Canadian funds). **Underwriter** — Frank P. Hunt, Rochester, N. Y., is underwriter for sale of stock in Uni.ed States. **Offering**—Stock will be sold to public at 55 cents a share. **Proceeds**—Of the net proceeds, $40,000 together with $22,000 of treasury funds, will be used for development work. If sufficient ore is found, company will erect a mill at an estima.ed cost of $150,000. The balance will go into working capital. **Business**—Company intends to explore for the mineral known as Fluorite.

• Cash (J. & J.) Inc., South Norwalk, Conn.
June 20 (letter of notification) 1,000 shares ($100 par) 5% cumulative preferred stock. Offering price, $100 a share. No underwri.ing. **Proceeds**—To redeem in part its presently outstanding 7% preferred stock.

Central Electric & Gas Co., Sioux Falls, S. D.
May 29 filed 35,000 shares of $2 cumulative preferred stock, series A (no par), but with a stated value of $50 a share, and 175,000 shares of common stock (par $1). **Underwriter**—Paine, Webber, Jackson & Curtis, Chicago. **Offering**—The stocks will be offered to the public at prices to be supplied by amendment. **Proceeds**—To pay off $3,000,000 loan from First National Bank Chicago and Harris Trust and Savings Bank, Chicago, balance working capital.

Central Ohio Light & Power Co., Findlay, Ohio
May 29 filed 30,000 shares of common stock (par $10). **Underwriters**—If unsubscribed shares are sold to underwriters names will be filed by amendment. Probable

underwriters include Blyth & Co., Inc.; Otis & Co., Inc.; Harriman Ripley & Co., Inc., and The First Boston Corp. **Offering**—The shares will be offered for subscription to common stockholders at the rate of one new share for each 2.8 shares now held. Unsubscribed shares may be sold to underwriters or to other parties. **Proceeds**—For expansion of consumer services and improvement of properties.

● Chadbourn Hosiery Mills, Inc., Charlotte, N. C. (7/8)

June 17, filed 25,000 shares ($50 par) cumulative convertible preferred stock and 25,000 shares ($1 par) common stock. **Underwriters**—R. S. Dickson & Co., Charlotte, N. C. **Price**—By amendment. **Proceeds**—Net proceeds will be used to enlarge and improve property of subsidiary, Larkwood Hosiery Mills, Inc., Charlotte; to redeem 4,000 shares of same subsidiary's 5½% cumulative preferred stock at $106 a share; to prepay $473,500 2% bank loans and to purchase machinery and equipment for mills of the company and its subsidiaries.

Chicago & Southern Air Lines, Inc., Memphis, Tenn. (7/1)

June 10 filed voting trust certificates for 170,000 shares of no-par common stock. In addition, the company registered 42,000 shares of common issuable upon the exercise of warrants for purchase of common stock at $30 a share up to Oct. 27, 1955. **Underwriters**—Kebbon, McCormick & Co., Chicago, and I. M. Simon & Co., St. Louis, Mo. Price by amendment. **Proceeds**—Purchase of aircraft and spare parts for training costs and foreign route installation costs, etc.

City Stores Co., Philadelphia

May 29 filed 100,000 shares common stock (par $5). **Underwriters**—Lehman Brothers. **Offering**—Stock is being sold by Bankers Securities Corp., parent. Price by amendment, based on market.

Clinton Industries, Inc., St. Louis (7/8)

June 19 filed 60,000 shares of capital stock (par $1). **Underwriters**—No underwriters. **Offering**—The shares will be offered to executives and key employees of company upon the exercise of options for purchase of such stock. **Price**—Options already issued provide for the purchase of the capital stock at $16.66⅔ a share. **Proceeds**—To be added to general funds.

● Columbia Aircraft Products Inc., Somerville, N. J. (7/15)

June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriters**—Floyd D. Cerf Co., Inc., Chicago, is the principal underwriter. **Offering**—The company initially will offer 59,585⅓ shares for subscription to present common stockholders at $4.50 a share in the ratio of one share of preferred for each share of common held. The offering to common stockholders excludes the two principal stockholders of the company who have waived their rights to subscribe. The remaining 90,414⅔ shares and any shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—The public offering price is $5 a share. The underwriting commission is 85c a share for shares sold to the public and 25c a share for those sold to common stockholders. **Proceeds**—Of the net proceeds approximately $55,000 will be used for payment of Federal taxes and about $250,000 for payment of a loan. It will lend $50,000 to Palmer Brothers Engines Inc., a subsidiary, and the remaining proceeds will be added to working capital. **Business**—Manufacture of parts for Palmer Engines and production of diesel mine locomotives.

Consolidated Retail Stores, Inc., St. Louis (7/8)

June 6 filed 60,000 shares 4¼% cumulative preferred stock, series A (par $50). **Underwriter**—Central Republic Co. (Inc.), Chicago. **Offering**—New preferred will be offered in exchange to holders of company's $2.75 cumulative preferred on a share for share basis plus a cash payment of $1 by the company and dividends accruing on the $2.75 stock. Common stockholders will be offered the right to subscribe for the new stock at $52.50 a share in the ratio of one share of new preferred for each 12½ shares of common owned. Remaining shares will be sold to underwriters who will reoffer it to the public at $52.50 a share. **Proceeds**—To redeem unexchanged shares of $2.75 preferred at $53.50 a share and as additional working capital.

Consol. Vultee Aircraft Corp., San Diego, Cal.

May 29 filed 77,134 shares of common stock (par $1). **Underwriters**—Names by amendment. **Offering**—Shares are to be issued upon the exercise of options allotted by the company to its officers and supervisor executives. For details see issue of May 30.

Container Corp. of America, Chicago (7/17)

June 12 filed 141,496 shares ($20 par) capital stock. **Underwriters**—Kidder, Peabody & Co. **Offering**—Shares will be offered for subscription to present capital stockholders at rate of one share of new stock for each six shares held. Unsubscribed shares will be publicly offered by underwriters. Price by amendment. **Proceeds**—Payment of portion of the costs of construction and improvement program.

Coro, Inc., New York

June 14 filed 134,814 shares common stock (no par). **Underwriters**—Emanuel Deetjen & Co. **Offering**—Company is offering 59,814 shares to stockholders for subscription in ratio of one new share for each seven shares held. Certain stockholders have waived their rights to subscribe for 45,600 shares. Six shareholders have agreed to sell 75,000 shares, which, together with unsubscribed shares being offered by the company, will be offered to the public through underwriters. Price by amendment. **Proceeds**—Constructing a four-story annex to company's Providence, R. I., plant; rehabilitation of Providence factory, machinery and equipment, etc.

Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to the public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business** — Exploring for ore.

● Dana Corporation, Toledo, Ohio (7/9)

June 20 filed 100,000 shares of cumulative preference stock ($100 par). **Underwriters**—Group headed by Merrill Lynch, Pierce, Fenner & Beane, New York. Price by amendment. **Proceeds**—Net proceeds, together with other funds if necessary, will be used to prepay $10,000,000 of bank loans. The bank loans were issued to provide funds for the company's 1946 construction program. **Business**—The company and its subsidiaries primarily produce parts for the automotive industry.

Dazey Corp., St. Louis, Mo. (7/5)

June 4 filed 50,000 shares of 5% cumulative convertible preferred stock (par $10) and 100,000 shares of common stock (par 10c). Stock being sold by five stockholders. **Underwriters**—Scherck, Richter Co., St. Louis, and Allen & Co. **Offering**—Offering prices are $10 a share for the preferred and $4 a share for the common.

Delhi Oil Corp., Dallas, Texas

May 23 filed 175,000 shares common stock (par 50¢) **Underwriters**—No underwriters. **Offering**—Shares will be offered for sale to common stockholders of record June 20 of Southern Union Gas Co., which owns all of the outstanding common stock of the corporation. **Proceeds**—Proceeds will be added to cash balances to be applied to the payment of current or other liabilities.

● Denver-Rangely Oil Interests, Inc., Denver, Col.

June 17 (letter of notification) 1,320,000 shares of 10-cent par stock. Offering price, 5 cents a share. **Underwriters**—Harry J. Newton and A. B. Kamp & Co., both of Denver. Of the proceeds, $42,500 will be used to pay interests in Government oil and gas leases, the balance will be applied for corporate expenses.

● Derby Gas & Electric Corp., New York (7/8)

June 19 filed 20,066 shares (no par) common stock. **Underwriters**—No underwriters were named and there was no indication that there would be any. **Offering**—The shares will be offered for subscription to present common stockholders at the rate of one share for each 10 shares held. Price by amendment. **Proceeds**—Proceeds, together with other funds, will be applied as loans to the company's three Connecticut subsidiaries: Derby Gas & Electric Co.; Wallingford Gas Light Co., and the Danbury and Bethel Gas and Electric Light Co.

Detroit Aluminum & Brass Corp., Hamtramck, Mich. (7/1)

June 11 filed 181,440 shares ($1.25 par) common stock. **Underwriters**—Baker, Simonds & Co., Detroit. **Offering**—The stock will be offered to public at $10 a share. **Proceeds**—Shares are being sold by stockholders.

Diamond T Motor Car Co., Chicago, Ill.

March 29 filed 60,000 shares of common stock (par $2). Shares are being sold by certain stockholders. **Underwriters**—Hallgarten & Co. **Offering**—Price based on market. For details see issue of April 4.

El Paso (Texas) Natural Gas Co.

June 10 filed 75,000 shares ($100 par) cumulative preferred stock and 100,057 shares ($3 par) common stock. **Underwriters**—By amendment. Probable underwriters include White, Weld & Co., and Stone & Webster Securities Corp. **Offering**—14,797 shares of preferred stock will be offered to holders of 7% cumulative preferred stock on a share for share exchange basis plus a cash payment to the exchanging shareholder. The remaining 60,203 shares and any unexchanged shares will be sold to underwriters for resale to the public. Common stock will be offered for subscription to present common stockholders at the rate of one share for each six shares now held. The subscription offer expires on July 18, 1946. Unsubscribed shares will be purchased by underwriters for sale to the public. **Price**—Price by amendment (approximately $42 per share). **Proceeds**—Finance construction of a natural gas pipe line to California at an estimated cost of $41,412,000, and to retire outstanding funded debt and preferred stock. Proceeds from $25,900,000 new bonds to be sold for cash and a new $8,500,000 seven-year bank loan will be used for construction and refinancing program.

● Engineers Waterworks Corp., Harrisburg, Pa. (7/1)

June 24 (letter of notification) $275,000 4% debentures due 1971. **Underwriters**—C. C. Collings & Co., and Stroud & Co., Inc., Philadelphia. Price, $101. Proceeds for purchase of additional water properties or their securities and for other corporate purposes.

● Field & Stream Publishing Co., New York (7/8)

June 19 filed 58,800 shares ($2 par) common stock. **Underwriters**—Lee Higginson Corp., New York, heads underwriters. **Offering**—Shares will be offered publicly. Price by amendment. **Proceeds**—Shares are being sold by four stockholders. **Business**—Publishes "Field & Stream," sportsman's magazine.

● Films Inc., New York (7/15)

June 25, filed 100,000 shares ($5 par) class A stock and 100,000 shares (10 cent par) common stock. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly. **Price**—$8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—Company will apply $201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films. Company estimates it will need $505,000 to finance production of classroom films. It has been conducting a research program in connection with the venture since 1945. **Business**—Distributor of 16 mm. educational and entertainment films in the U. S.

Florida Public Utilities Co., West Palm Beach, Fla. (7/2)

June 12 filed an unspecified number of shares of common stock (par $3). **Underwriters**—Starkweather & Co., New York, and Clement A. Evans and Co., Inc., Atlanta, Ga. **Offering**—The shares will be offered to the public. Price by amendment. **Proceeds**—Shares being registered are owned by J. L. Terry, President, who will receive net proceeds. **Business**—Public utility.

Flying Freight Inc., New York

May 6 filed 300,000 shares common stock (par $1). **Underwriters**—J. F. Reilly & Co., Inc. **Offering**—Price to public $3.50 per share. **Proceeds**—Proceeds will be used for the purchase of six land planes, ten flying boats, reconditioning of flying boats and working capital. **Business**—Company was incorporated on March 9, 1946, to operate as a charter air carrier.

Food Fair Stores, Inc., Philadelphia

April 29 filed 40,000 shares of common stock ($1 par), issuable upon exercise of options to purchase common stock. The options to purchase common stock entitle the holders to purchase between Sept. 5, 1946 and Sept. 4, 1950, shares of common stock at $19.50 per share. The options were granted on Sept. 5, 1945. **Proceeds**—In the event that all options are exercised, corporation will realize $780,000, which it intends to use for increasing inventory, acquiring and equipping additional supermarkets, warehouses, etc.

Forest City Manufacturing Co., St. Louis, Mo. (7/8)

June 17, filed 280,000 shares ($1 par) common stock. **Underwriters**—Peltason, Tenenbaum Co., St. Louis. **Offering**—Shares will be offered publicly at $11.25 a share. **Proceeds**—Net proceeds go to the selling stockholders.

Front Range Oil & Drilling Co., Denver, Colo.

May 20 (letter of notification) 1,493,303 shares of capital stock (par 5¢) and 20,000 shares as a bonus offering donated by Harry J. Newton, President. **Offering**—Price 5¢ a share. 100,000 shares allotted to present shareholders to purchase at par and receive also a 20% share bonus with each purchase. No underwriting at present. **Proceeds**—To drill oil well in Albany County, Wyo., to acquire further oil and gas interests and to pay officers' salaries and general expenses.

Gatineau Power Co., Ottawa, Ont.

May 27 filed $45,000,000 series C and $10,000,000 series D first mortgage bonds, due 1970 and $9,500,000 of sinking fund debentures, due 1961. **Underwriters**—To be decided by competitive bidding. Possible bidders in-

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clude The First Boston Corp.; Halsey Stuart & Co., Inc.; Blyth & Co., Inc., and Mellon Securities Corp. **Proceeds**—Refunding. For details see issue of May 30.

General Builders Supply Corp., New York (7/1-5)

May 31 filed 40,000 shares of 5% cumulative convertible preferred stock (par $25) and 170,000 shares of common stock (par $1). **Underwriters**—Allen & Co. **Offering**—11,238 shares of new preferred will be offered in exchange to holders of $7 cumulative (no par) preferred stock on basis of one share of old preferred for 4.6 shares of new preferred. Remaining 28,762 shares of preferred and all the common shares will be sold to underwriters who will offer them to the public $25 and $4 a share, respectively. Of the common being offered, the company is selling 100,000 shares and 12 stockholders are selling 70,000 shares. Certain warrant holders of company have agreed to sell to underwriters warrants for purchase, during a period of four years, of 40,000 shares of common. **Proceeds**—Approximately $950,000 will be added to working capital.

General Cable Corp., New York (7/2)

May 17 filed 150,000 shares of 4% cumulative first preferred stock (par $100) and 150,000 shares of 4% cumulative convertible second preferred stock (par $50). **Underwriters**—Blyth & Co., Inc. **Offering**—Holders of 150,000 outstanding shares of 7% cumulative preferred stock are offered the privilege of exchanging their shares for 150,000 shares of the first preferred stock and 150,000 shares of the second preferred on basis of one share each plus $12.50 cash for each share of 7% preferred. The exchange offer expires at 3 p.m., June 26. Shares of first and second preferred not taken in exchange will be sold to Blyth & Co., Inc., and associates for resale to the public. **Price**—Preferred, $100 per share; second preferred, $50 per share.

● **Graco Oil & Refining Co., Denver, Colo.**

June 20 (letter of notification) 500,000 shares of 10c par common capital stock. Offering price, 25c a share. No underwriting. **Proceeds**—To pay off notes and accounts payable; to provide additional working capital for Gray Refinery, Inc., a subsidiary, and for working capital of the company.

Grand Valley Corp., New York

June 19 (letter of notification) 225,000 shares of common stock (par $1). **Underwriter**—Leven Brothers, New York City. Price to public $1 per share. Corporate purposes, such as reconditioning existing well, drilling new well, additional equipment, etc.

● **Grapette Bottling Co., Inc., Hyattsville, Md.**

June 18 (letter of notification) 9,000 shares ($10 par) preferred and 6,000 shares ($10 par) common. Of these shares, 7,500 will be issued in exchange for a franchise. Offering price of the remaining shares is $100 a unit consisting of six shares of preferred and four shares of common. No underwriting. **Proceeds**—For purchase of real estate, construction of buildings, acquisition of bottles, cases, machinery and other equipment.

Great Lakes Plating Co., Chicago (7/8)

June 17 filed 130,000 shares ($1 par) common stock. **Underwriters**—Dempsey & Co., which owns and is selling the shares being registered, will select the underwriters and may include itself in the underwriting group. **Offering**—Of the total, 115,000 shares will be sold to underwriters for resale to the public, and 15,000 shares are to be offered to certain officers, directors and key employees of the company. **Price**—Price of the 115,000 shares by amendment. Price of the 15,000 shares to certain employees, $6.20 a share.

Gubby Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). **Underwriters**—Sabiston-Hughes, Ltd., Toronto. **Offering**—Shares will be offered to public at 75 cents a share. **Proceeds**—Net proceeds, estimated at $300,000, will be used for mining operations. **Business**—Exploring for ore.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.

Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights.

Hayes Manufacturing Corp., Gr. Rapids, Mich.

Feb. 27 filed 215,000 shares of common stock ($2 par). Shares are being sold by certain stockholders. Stock acquired by selling stockholders in exchange for 432,000 shares common stock (par $3) of American Engineering Co. **Underwriters**—To be named by amendment. **Offering**—Price to public by amendment. Stop order hearing by SEC. For details see issue of March 7.

● **Hershfield (H. A.) & Co., Hutchinson, Kans.**

June 20 (letter of notification) 3,000,000 shares of class B common. Offering price, 10c a share. **Underwriter**—Leven Brothers, New York **Proceeds**—For producing oil.

Hilton Hotels Corp., Chicago (7/8)

June 7 filed 350,000 shares of common stock (par $5) and 20,000 shares of 4% convertible preference stock (par $50). **Underwriter**—Blyth & Co., Inc., New York **Offering**—Prices by amendment. Of the 350,000 common shares, 50,000 will be offered by company without underwriting to certain key employees. The 20,000 shares of preference stock are being sold by C. N. Hilton, President. **Proceeds**—Net proceeds to the company will be added to general funds.

● **Hoving Corp., New York (7/9)**

June 20 filed 495,700 shares ($1 par) common stock. **Underwriters**—Blyth & Co., Inc., New York, heads the underwriters. Price by amendment. **Proceeds**—Of the proceeds, the company expects to use about $8,079,000 for the purchase from Atlas Corp. of 84,744 shares of common stock of Bonwit Teller & Co. and remaining proceeds will be added to general funds for use in an expansion program. **Business**—Newly organized to acquire and expand retail organizations throughout the country.

● **Hungerford Plastics Corp., Murray Hill, N. J. (6/28)**

June 19 (letter of notification) 74,000 shares of 25c par common stock. Offering price, $4 a share. **Underwriter**—First Colony Corp. **Proceeds**—Use of proceeds not stated.

Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds.

International Minerals & Chemical Corp., Chicago (7/9)

May 21 filed 145,834 shares of common stock (par $5). **Underwriters**—White, Weld & Co. **Offering**—Company is offering 131,769 shares to present common stockholders of record June 24 and holders of stock purchase warrants for subscription at the rate of one common share for each five shares held. Rights expire July 8. Price, $32.50 per share. Underwriters will purchase unsubscribed shares plus an additional 65 shares. The remaining 14,000 shares of common stock will be offered to "certain officers and employees." **Proceeds**—Construction and equipment. For details see issue of May 23.

International Paper Co., New York

April 26 filed 400,000 shares of $4 cumulative preferred stock (no par) and 100,000 shares of common stock (par $15). **Offering**—Company is offering to holders of its cumulative convertible 5% preferred stock (par $100) the right to exchange 400,000 of such shares for new preferred and common on the basis of one share of new preferred and ¼ share of common for each share of 5% preferred. Exchange offer will terminate July 1. For details see issue of May 2.

Jack & Heintz Precision Industries, Inc., Maple Heights, Ohio (7/2)

May 31 filed 50,228 shares of cumulative preferred stock (par $50), 4% series (convertible prior to April 1, 1956) and 550,000 shares of common stock (par $5). **Underwriters**—Blyth & Co., Inc. **Offering**—Stocks will be offered to public. Price by amendment. **Proceeds**—Will be added to working capital.

Koppers Co., Inc., Pittsburgh, Pa. (7/8)

June 18, filed 150,000 shares of cumulative preferred stock. **Underwriters**—Mellon Securities Corp. **Offering**—New preferred will be offered in exchange, on a share for share basis, for company's outstanding shares of 4¾% cumulative preferred. Unexchanged shares will be offered to the public. **Price**—By amendment. **Proceeds**—Net proceeds will be used to redeem unexchanged shares of old preferred at $107.50.

Le Roi Co., Milwaukee, Wis. (7/8)

June 17, filed 40,000 shares of 4½% ($50 par) cumulative convertible preferred stock. **Underwriters**—Wisconsin Co. **Price**—By amendment. **Proceeds**—Net proceeds will be added to general funds. For details see issue of June 20.

● **Lennox Furnace Co., Marshalltown, Iowa**

June 20 (letter of notification) 17,900 shares of 4% cumulative preferred stock (par $10). Offering price, $10 a share. No underwritings. Reimburse current funds expended in redeeming prior issue of 6% preferred stock.

● **Long Island Airlines, Inc., Southampton, N. Y. (7/2)**

June 20 (letter of notification) 99,500 shares ($1 par) common stock. Offering price, $3 a share. **Underwriter**—L. H. Rothchild & Co. Company also will issue 50,000 stock purchase warrants to the underwriter at 1c each. Net proceeds will be used to purchase four Grumman planes and spare parts, an airport ramp and facilities, and as working capital.

● **Loew Drug Co., Inc., Corpus Christi, Tex. (7/8)**

June 21 (letter of notification) 54,000 shares ($5 par) 30c cumulative dividend preferred stock on behalf of the company and 54,000 shares of 10c par common stock on behalf of stockholders. Offering price, $5.50 a unit consisting of one share of preferred and one share of common. **Underwriters**—First Colony Corp., and Childs, Jeffries and Thorndike, Inc. Proceeds to the company will be used for general corporate purposes.

Mada Yellowknife Gold Mines, Ltd., Toronto

June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters** — Names to be supplied by amendment. **Offering**—Stock will be offered publicly in the U. S. at 40c a share (Canadian money). **Proceeds**—Proceeds, estimated at $75,000, will be used in operation of the company. **Business**—Exploring and developing gold mining properties.

● **Maine Public Service Co., Preque Isle, Me. (7/15)**

June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act. **Business**—Public utility and holding company.

Maryland Casualty Co., Baltimore

May 29 filed 239,940 shares ($10 par) cumulative prior preferred stock and 479,880 shares ($5 par) convertible preferred stock. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp.; Lehman Brothers, and Paine, Webber, Jackson & Curtis. **Offering**—Stocks initially will be offered for subscription to present common stockholders in ratio of one share of cumulative preferred for each 3⅓ shares of common held and one share of convertible preferred for each 1⅔ shares of common held. Subscription price by amendment. **Proceeds**—Net proceeds will be used to pay entire indebtedness of Maryland Holding Co., Inc., a wholly owned subsidiary, to Reconstruction Finance Corp.

Mead Corp., Chillicothe, Ohio (6/27)

May 21 filed 70,000 shares ($100 par) 4¼% cumulative preferred stock and 101,056 shares ($50 par) 4% cumulative second preferred stock. **Underwriters**—Drexel & Co., and Harriman Ripley & Co., Inc. **Offering**—Preferred stock is being offered in exchange to holders of $6 cumulative preferred stock, series A, and $5.50 cumulative preferred stock, series B, on a share for share basis, plus a cash payment of $3.438 for $6 preferred and $3.313 for $5.50 preferred. Second preferred shares are being offered for subscription to common stockholders of record on June 11 at $53 a share in ratio of one new share for each seven common shares held. Exchange and subscription privileges expire June 26.

Menasco Manufacturing Co., Los Angeles (7/23)

May 17 filed 370,000 shares of common stock. **Underwriters**—Sutro & Co., and G. Brashears & Co. **Offering**—Stock is being offered to shareholders of record July 1 in ratio of two new shares for each five shares held at $4 per share. Rights expire July 22. Unsubscribed shares to be offered to public by underwriters at not less than $4.75 nor more than $10. **Proceeds**—To repay unsecured bank loans; to pay first instalment on purchase of plant from RFC; balance to be added to working capital.

● **Meredith Publishing Co., Des Moines, Iowa (7/15)**

June 25 filed 129,000 shares ($1 par) common stock. **Underwriters**—Stone and Webster Securities Corp. **Offering**—To be offered to the public. Price by amendment. **Proceeds**—Net proceeds go to three stockholders who are selling the shares. **Business**—Company publishes "Better Homes and Gardens" and "Successful Farming."

● **Michigan Gas & Elec. Co., Ashland, Wis. (7/12)**

June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Such holders accepting the exchange will receive a cash adjustment. The Middle West Corp., parent, has notified the company that it will surrender its holdings of 4,878 shares of $6 (no par) prior lien stock for redemption instead of the exchange. The new preferred will be sold at competitive bidding, subject to the exchange offer. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from the bond sale to redeem its $3,500,000 of 3¾% series A first mortgage bonds, due 1972, at 106.75 plus accrued interest. Net proceeds from the sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 of 3½% serial debentures, due 1951, at 101.2 and accrued interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks. **Business**—Public utility.

Missouri Power & Light Co. (7/10)

May 22 filed $7,500,000 first mortgage bonds, due 1976, and $4,000,000 ($100 par) cumulative preferred stock. **Underwriters** by amendment. Probable bidders include Halsey, Stuart & Co. Inc. (bonds); The First Boston

Corp.; Blyth & Co., Inc.; Coffin & Burr, Inc.; Kidder, Peabody & Co.; White, Weld & Co., and Shields & Co. (jointly). **Proceeds**—Principally refunding. **Bids Invited**—Bids for the purchase of the securities will be received at office of Beekman & Bogue, Room 1922, 15 Broad Street, New York, N. Y., up to 12 noon (EDST), July 10.

• Montgomery Ward & Co., Inc., Chicago (7/15)
June 24, filed 1,304,286 shares (no par) common stock. **Underwriters**—No underwriters. **Offering**—The stock will be offered for subscription to common stockholders of record on July 18, at the rate of one share for each four shares held. **Price**—$50 a share. **Proceeds**—Net proceeds, estimated at $64,876,228, will be added to the company's general resources. These funds will be used to increase merchandise inventories and installment accounts receivable and in an expansion and improvement program for its retail stores and mail order houses and the opening of new stores. **Business**—Operation of retail stores and mail order houses.

Mountain States Power Co., Albany, Ore.
June 6 filed 140,614 shares of common stock (no par). **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kuhn, Loeb & Co. and Smith Barney & Co. (jointly); Harriman, Ripley & Co.; The First Boston Corp. **Offering**—Shares, which are owned by Standard Gas & Electric Co. and constitute 56.39% of the company's outstanding common, will be sold at competitive bidding. **Proceeds**—Net proceeds will go to Standard Gas.

• Murphy Chair Co., Owensboro, Ky. (7/10)
June 21 filed 136,877 shares ($1 par) common stock. **Underwriters**—The Bankers Bond Co., Inc., Louisville, Ky., and Cruttenden & Co., Chicago, heads underwriters. Price, $5.25 a share. **Proceeds**—Of the net proceeds to the company, amounting to $147,711, it will use $65,000 to reimburse its treasury or make further expenditures in the rehabilitation and expansion of a new chair plant formerly used by its now dissolved subsidiary, Murphy Box Co., and for machinery and equipment for the plant. It will apply $35,000 for construction of a warehouse and the remaining proceeds as working capital. **Business**—Manufacture of office, household, and institutional chairs.

Murphy (G. C.) Co., McKeesport, Pa. (7/2)
June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends.

• N & W Overall Co. Inc., Lynchburg, Va.
June 21 (letter of notification) 776 shares of common stock. The shares will be offered on a share for share exchange basis to holders of Magnolia Cotton Mills Inc. stock for the purpose of acquiring all the outstanding stock and assets of Magnolia.

National Cellulose Corp., Syracuse, N. Y.
May 31 filed 200,000 shares of common stock (par $1) with warrants to purchase 20,000 shares of common. **Underwriters**—Floyd D. Cerf Co., Inc. **Offering**—Stock will be offered to public at $6 a share. The warrants will be sold on the basis of one warrant for each 10 shares of common purchased. **Proceeds**—Estimated net proceeds of $1,020,000 will be used to pay off $61,000 of loans, to purchase plant and equipment at an estimated cost of $751,620 and the balance as additional working capital.

National Iron Works, San Diego, Calif.
May 21 (letter of notification) 18,500 shares of common stock. Offering price, $4.12½ a share. **Underwriters**—Nelson Douglass. For general corporate purposes.

• Nevada Goldfield Mining Co., Tonopah, Nev.
June 17 (letter of notification) 160,000 shares (par 10c) common stock on behalf of the company and 80,000 and 60,000 shares of the same stock, respectively, on behalf of Edward G. Frawley and Lionel A. West. Offering price, $1 a share. **Underwriters**—Frawley and West may act as underwriters. **Proceeds**—Proceeds to the company will be used for working capital.

Neville Island Glass Co., Inc., Pittsburgh
June 3 filed 60,000 shares of class A stock (par $1) and 60,000 shares of common stock (par 10c). **Underwriters**—Amott, Baker & Co., Inc.; Herrick, Waddell & Co., and Buckley Brothers. **Offering**—Stocks will be offered to the public in units of one share of class A and one share of common at $10.10 a unit. **Proceeds**—Net proceeds, together with $700,000 to be realized from the sale of series A and B bonds, will be used for construction of a plant on Neville Island (near Pittsburgh) and for equipment. Any remaining proceeds will go into working capital.

• New Hampshire Daily News, Inc.
June 20 (letter of notification) 2,960 shares of class A ($100 par) common stock, non-voting, and 740 shares of class B ($1 par) common stock, voting. Offering price, $100 a share of class A and $1 a share of class B. No underwriting. **Proceeds**—For publishing and selling a daily newspaper.

• Newport (R. I.) Electric Corp. (7/15)
June 25, filed 7,732 shares ($100 par) cumulative preferred stock. **Underwriters**—Stone & Webster Securities Corp. **Offering**—Shares initially will be offered for subscription to common stockholders in ratio of 0.13 shares of preferred for each share of common held. Unsubscribed shares will be offered to public through the underwriters.. **Price**—By amendment. **Proceeds**—For redemption on Oct. 1 of 10,000 shares ($100 par) 6% cumulative preferred stock, 1929 series, and 268 shares ($100 par) 6% cumulative preferred, 1931 series, at $110 and accrued dividends.

Norcross-Eldridge Inc., Rutland, Vt.
June 7 (letter of notification) 2,500 shares ($100 par) preferred stock. Price, $100 a share. **Underwriters**—Stock will be sold in the State of Vermont by the company itself; in Massachusetts sales are to be made by Kidder, Peabody Co. For increasing working capital.

North American Car Corp., Chicago (7/5-7)
June 14 filed 36,000 shares $2 cumulative convertible preferred stock (no par). **Underwriters**—Glore, Forgan & Co. Price by amendment. **Proceeds**—Of the net proceeds, $1,000,000 will be issued as a loan to a new subsidiary whose name tentatively is Illinois Refrigerator Car Co.; $200,000 to reimburse the company's treasury for its original investment in the capital stock of the new subsidiary. Company has purchased the entire outstanding shares of common of North Western Refrigerator Line Co. for $3,600,000. North Western will be dissolved and Illinois will assume all of its assets and liabilities and change name to North Western Refrigerator Line Co. New company will issue serial notes in the amount of $3,600,000; borrow the $1,000,000 from the parent company; redeem $1,163,843 of equipment trust certificates originally issued by predecessor and pay off its current bank loans amounting to $3,600,000. **Business**—Leasing tank and refrigerator cars on a rental and mileage basis.

• Nugent's National Stores, Inc., N. Y. (7/10)
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and Kobbe, Gearhart & Co., Inc. Price, $6.75 a share. **Proceeds**—The company will receive net proceeds from the sale of 62,000 shares of the common and three selling stockholders will receive net proceeds from the sale of the remaining 23,000 shares of common. In addition, the company is selling to the underwriters and the selling stockholders a total of 50,000 common stock purchase warrants at 5 cents each. Net proceeds to the company, estimated at $350,200, will be applied as follows: About $111,300 for the retirement of its outstanding preferred stock; $41,649 to purchase 100% of the stock of its two affiliates, Beau Claire Fashions, Inc., and Nugent's Buying Corp., and the balance of approximately $197,000 for other corporate purposes including the purchase of additional stores and the expansion and improvement of present stores. **Business**—The company and its affiliate, Beau Claire Fashions, Inc., operates a chain of 30 women's and misses' apparel stores.

• Oberman & Co., Jefferson City, Mo. (7/10)
June 21 filed 80,000 shares ($10 par) 5% cumulative convertible preferred stock and 75,000 shares ($1 par) common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York, principal underwriter. **Offering**—To be offered publicly. Price, $10 a share for preferred and $6 a share for common. **Proceeds**—Of the $1,055,000 estimated net proceeds, the company will use approximately $189,000 to retire its 1,890 shares of $6 cumulative preferred stock and about $300,250 to retire mortgage notes. The balance will be used for general corporate purposes. **Business**—The manufacture of work shirts and men's and boys' dress trousers, slacks and riding breeches.

• Oil Incorporated, Salt Lake City
June 17 (letter of notification) 300,000 shares ($1 par) non-assessable common. Offering price, $1 a share. The shares will be distributed by officers and directors of the company. For leasing, buying and developing oil properties.

• Pan American Airways Corp., Wilmington, Del.
June 21 filed an unspecified number of shares ($2.50 par) capital stock, issuable upon exercise of stock purchase warrants. **Underwriters**—No underwriting. **Offering**—For issuance on exercise of stock purchase warrants. Price: The stock purchase warrants evidence the right to purchase capital stock of the company at $18 a share to Dec. 30, 1947. **Proceeds**—To be added to general funds. **Business**—Air transportation.

• Pan Philippines Corp., Manila, P. I.
June 17 (letter of notification) $300,000 of class A shares. Offering price, 25 cents a share. No underwriters as yet. Rehabilitation of the Treasure Island Mine, operated by the company, and replacement of machinery destroyed by the Japanese.

Paulsboro (N. J.) Manufacturing Co. (7/2)
March 29 filed 9,886 shares 6% cumulative preferred (par $100); 31,000 common stock purchase warrants and 31,000 shares of common, issuable upon the exercise of

(Continued on page 3526)

New Issue Calendar

(Showing probable date of offering)

June 27, 1946
Mead Corp. — Preferred

June 28, 1946
American Investment Co. of Illinois — Preference
Gulf, Mobile & Ohio RR. — Equipment Trust Ctfs.
Hungerford Plastics Corp. — Common
Pennsylvania Electric Co. — Bonds and Preferred

July 1, 1946
All American Aviation Inc. — Common
Booth Fisheries Corp. — Preferred and Common
California Electric Power Co.— (12 Noon EDST) — Bonds
Chicago & Southern Air Lines Inc. — Common
Detroit Aluminum & Brass Corp. — Common
Engineers Waterworks Corp. — Debentures
General Builders Supply Co. — Preferred and Com.
Sterling Electric Motors Inc. — Debs and Common
Willys Overland Motors Inc. — Preferred and Com

July 2, 1946
American Yarn & Processing Co. — Preferred
Florida Public Utilities Co. — Common
General Cable Corp. — Preferred, 2nd Preferred
Jack & Heintz Precision Industries Inc.— Preferred and Common
Long Island Airlines Inc. — Common
Murphy (G. C.) Co. — Common
Paulsboro Manufacturing Co. — Preferred and Com.
Prestoll Corp. — Preferred and Common
Verney Corp. — Common

July 3, 1946
Allied Stores Corp. — Common
Segal Lock & Hardware Co. Inc. — Common

July 5, 1946
Arkansas Western Gas Co. — Common
Boone County Coal Corp. — Common
Dazey Corp. — Preferred and Common
North American Car Co. — Preferred
Portland Transit Co. — Debentures and Common
Rudy Furnace Co. — Common

July 8, 1946
Air Cargo Transport Corp. — Common
Chadbourn Hosiery Mills Inc. — Preferred and Com.
Clinton Industries Inc. — Capital Stock
Consolidated Retail Stores Inc. — Preferred
Derby Gas & Electric Corp. — Common
Field & Stream Publishing Co. — Common
Forest City Manufacturing Co. — Common
Great Lakes Plating Co. — Common
Hilton Hotels Corp. — Common
Koppers Co. Inc. — Preferred
Le Roi Co. — Preferred
Loew Drug Co. Inc. — Preferred and Common
Radio-Keith-Orpheum Corp. — Common
Spiegel Inc. — Common
Stratford Pen Corp. — Common

July 9, 1946
Budd Co. — Common
Dana Corp. — Preference
Hoving Corp. — Common
International Minerals & Chemical Corp. — Common
Trane Co. — Common

July 10, 1946
Beatrice Foods Co. — Preferred
Missouri Power & Light Co. — Bonds and Preferred
Murphy Chair Co. — Common
Nugents' National Stores Inc. — Common
Oberman & Co. — Preferred and Common
Philco Corp. — Preferred

July 11, 1946
Rome Cable Corp. — Preferred
Wyandotte Hotel Co. Inc. — Debs. and Common

July 12, 1946
Michigan Gas & Electric Co. — Bonds, Pref. & Com.
Sunray Oil Corp. — Debentures and Common

July 15, 1946
Colmbia Aircraft Products Inc. — Preferred
Films, Inc. — Class A and Common
Maine Public Service Co. — Capital Stock
Meredith Publishing Co. — Common
Montgomery Ward & Co. — Common
Newport Electric Corp. — Preferred
Rochester Telephone Co. — Bonds
Solar Manufacturing Co. — Preferred
Transwestern Royalty Co. — Capital Stock
U. S. Spring & Bumper Co. — Pfd. and Common

July 17, 1946
Container Corp. of America — Capital Stock

July 23, 1946
Menasco Manufacturing Co. — Common

(Continued from page 3525)

the warrants. **Underwriters**—Butcher & Sherrerd, Philadelphia. **Offering**—1,886 shares of 6% cumulative preferred are offered in exchange (one new share for 10 old shares) for shares of 4% preference stock ($10 par), together with all dividends accrued thereon. Exchange offer is conditioned on purchase of remaining 8,000 shares of 6% cumulative preferred and of the 31,000 common stock purchase warrants by underwriter. **Proceeds**—Purchase or construction of a plant and necessary machinery and equipment. For details see issue of April 4.

Peabody Coal Co., Chicago

June 6 filed 880,561½ shares of 4½% prior preferred stock (par $20); 176,112 shares of class B common stock (par $5) and 880,561 warrants to purchase class B common shares. Following rejection of recapitalization plan June 24 by stockholders, Joseph Solari, Vice-President, announced he had written to SEC requesting withdrawal of the registration statement.

Pennsylvania Electric Co. (6/28)

March 21 filed $23,500,000 first mortgage bonds, due 1976, and 101,000 shares of cumulative preferred stock, series C, par $100. Bonds awarded June 26 to Halsey Stuart & Co. Inc. on bid of 101.78 for 2¾% coupon. Preferred issue awarded June 26 to Kuhn, Loeb & Co., Lehman Brothers and Drexel & Co. on bid of 100.5191 for a dividend rate of 3.7%. Reoffering of bonds will be made at 102.47 and the stock at 102.50 a share.

● **Philco Corp., Philadelphia (7/10)**

June 20 filed 100,000 shares ($100 par) preferred stock, series A. **Underwriters**—Smith, Barney & Co., New York, heads underwriters. **Offering**—To be offered publicly. Price, by amendment. **Proceeds**—Net proceeds will be added to cash funds which may be used in the purchase and construction of plants and facilities estimated to cost $13,000,000. **Business**—Manufacture of radios, radio parts, television sets, household refrigerators and air conditioning equipment.

Pittston Co., Hoboken, N. J.

May 9 filed a $7,000,000 15-year 4% debentures due April 1, 1961, and $1,242,300 20-year 5½% cumulative income debentures due Jan. 1, 1964. **Underwriters**—Blair & Co., Inc. **Offering**—Price to public by amendment. **Proceeds**—Payment of promissory notes aggregating $8,000,000. For details see issue of May 16.

Portland Gas & Coke Co., Portland, Ore.

June 11 filed $10,000,000 first mortgage bonds, series due 1976. **Underwriters**—To be decided by competitive bidding. Probable bidders include Blyth & Co., Inc.; Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; The First Boston Corp., and Kidder, Peabody & Co. **Offering**—To be offered to public. **Price**—To be decided by competitive bidding. **Proceeds**—To retire long-term debt, etc.

Portland (Ore.) Transit Co. (7/5-6)

June 14 filed $1,250,000 4% convertible debentures due June 1, 1966, and 200,000 shares of common stock (par $1); also an additional 128,750 common shares for conversion of debentures. **Underwriters**—First California Co.; Scherck, Richter & Co.; Weeden & Co.; Allen & Co., and Rauscher, Pierce & Co. **Proceeds**—To complete payment of purchase price for the capital stock of Portland Traction Co. and the properties of the Interurban Railway Division of Portland Electric Power Co., working capital, etc. Offering prices by amendment.

Prestole Corp., Toledo, Ohio (7/2-5)

June 12 filed 22,500 shares ($10 par) 5% cumulative convertible preferred stock and 60,000 shares of common stock (par $1). **Underwriters**—Ball, Burge & Kraus, Cleveland, and Stoetzer, Faulkner & Co., Detroit. Price by amendment. **Proceeds**—Of estimated ($477,000) net proceeds, company will use $163,192 as balance of purchase price of assets and business of Prestole Division of Detroit Harvester Co.; $50,000 for inventories of Prestole division; $63,400 as additional cost of plant at Toledo, Ohio, and remaining proceeds for purchase and installation of additional machinery and equipment and working capital.

Radio-Keith-Orpheum Corp., New York (7/8)

June 18 filed 670,000 shares of common stock (par $1). **Underwriters**—Lehman Brothers and Goldman, Sachs & Co. **Price**—By amendment. **Proceeds**—Atlas Corp., owner of 1,329,020 shares of common of RKO (approximately 35%) on May 31, is selling 650,000 shares of the total offering and will receive proceeds from these shares. The balance of 20,000 shares are to be purchased from the company by underwriters through the acquisition and exercise of option rights granted two company officials. The company will receive $160,000 from the exercise of the option rights which will be added to working capital.

● **Rangely Petroleum, Inc., Denver, Colo.**

June 17 (letter of notification) 6,000,000 shares (par 5c) of common stock. Offering price, 5 cents a share. No underwriting. **Proceeds**—For oil and gas prospecting.

Reeves Brothers Inc., New York

June 11 filed 80,061 shares (50c par) common stock. **Underwriters**—No underwriting. **Offering**—Company is offering to exchange 29½ shares of 50c par common stock for each of the 1,983 shares of common of Grace Cotton Mills Co., Rutherfordton, N. C., not now owned by it. It also is offering to exchange 88/100ths of a share of common for each of the 24,500 shares of common stock of Warrior Duck Mills, Spartanburg, S. C., not now owned by it.

Reynolds Pen Co., Chicago

May 4 filed 400,000 shares of common stock (no par), of which 100,000 shares are being sold by company and 300,000 by stockholders. **Underwriters**—Names by amendment. Reported Allen & Co., probable underwriter. **Offering**—Terms by amendment. **Proceeds**—Net proceeds to the company will be added to working capital.

● **Rich Hill Mining Corp., Stanton, Ariz.**

June 20 (letter of notification) 24,000 shares of $1 par common stock. Offering price, $1 a share. No underwriting. **Proceeds**—For working capital.

● **Rochester (N. Y.) Telephone Co. (7/15)**

June 26 filed $6,238,000 of 2½% first mortgage bonds, series A, due 1981. **Underwriters**—To be determined by competitive bidding. **Offering**—To be offered publicly. The bonds were issued and sold by the company to Halsey, Stuart & Co. Inc. last April 30 for Halsey's own account and not for public distribution. The price was 100% of principal amount plus accrued interest from April 1 to April 30, together with a premium of $32,000. Under the agreement the company agreed to register the bonds, and that when and if the registration statement becomes effective the company will offer the bonds at competitive sale. Halsey granted the company an option to purchase the bonds from Halsey at 100% plus accrued interest and a $32,000 premium. Halsey further agreed to submit at the competitive sales bid of 100% of the principal amount of the bonds plus accrued interest together with a premium of $32,000. Price to be determined by competitive bidding. **Proceeds**—Rochester will use proceeds from the previous sale of the bonds together with other funds to redeem $5,000,000 of first and refunding 3½% mortgage bonds, series F, on July 1 and to redeem $1,238,000 of 2⅞% first and refunding mortgage bonds on Oct. 1. **Business**—Telephone service.

Rome (N. Y.) Cable Corp. (7/11)

May 29 filed 63,276 shares of cumulative convertible preferred stock (par $30). **Underwriters**—Carl M. Loeb, Rhoades & Co. **Offering**—Shares are offered for subscription to common stockholders of record June 24 at rate of one share of preferred for each three shares of common held at $30 per share. Rights expire July 10. **Proceeds**—Net proceeds will be used toward completion of a construction program and to carry larger inventories.

Rudy Furnace Co., Dowagiac, Mich. (7/5)

June 14 filed 100,000 shares of common stock (par $1). **Underwriters**—Keane & Co., Detroit. Price, $3 a share. **Proceeds**—Net proceeds, estimated at $244,770, will be used to pay off bank loans of approximately $230,000 and to increse working capital.

Sardik Food Products Corp., New York

May 29 filed 175,000 shares of capital stock (no par). **Underwriter**—George F. Breen, New York. **Offering**—Stock will be offered to public at $16 a share with underwriters receiving a commission of $2 a share. Of the total being offered company is selling 155,000 shares and the remaining 20,000 shares are being sold by two stockholders. **Proceeds**—Working capital, purchase equipment and plant, etc. For details see issue of May 30.

● **Segal Lock & Hardware Co., Inc., N. Y.**

June 21 (letter of notification) warrants received by Louis Segal entitling him to purchase 39,920 shares of common stock. To be sold on New York Curb Exchange at 25 cents a right or a total of $19,960. Otto Fuerst & Co., broker.

Segal Lock & Hardware Co., Inc., N. Y. (7/3)

March 30 filed 738,950 shares of common (par $1). **Underwriters**—Floyd D. Cerf & Co. **Offering**—Holders of common stock, 7% preferred stock and $2.50 cumulative preferred stock of record June 13 are given right to subscribe at $4 per share to new common shares at a rate of one share of common for each two shares of any stock held. Rights expire at 3 p.m. July 2. **Proceeds**—Purchase of additional machinery and equipment for modernization of present facilities, etc. For details see issue of April 4.

Solar Manufacturing Corp., New York (7/15-19)

June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital.

South American Gold & Platinum Co., New York

June 4 (letter of notification) 13,000 shares of common stock. Stock will be offered on the New York Stock Exchange through Lewisohn & Co., at market (approximately $7), but in no event shall the total price to the public exceed $100,000. Proceeds will go to General Development Co., owner of the stock. Offering is to be made any time within next three months, depending upon market conditions.

Southern New England Telephone Co.

June 6 filed 100,000 shares of capital stock (par $100). **Underwriters**—No underwriting. **Offering**—Shares will be offered for subscription at $120 a share to stockholders of record June 25, in the ratio of one share for each four shares then held. Subscription warrants will expire July 16. **Proceeds**—To repay in full advances from American Telephone and Telegraph Co.

Spiegel, Inc., Chicago (7/8)

June 19 filed a maximum of 329,580 shares of common stock (par $2). **Underwriters**—Glore, Forgan & Co., Chicago. **Offering**—The shares will be offered for subscription to common stockholders at the rate of ⅕th of a share for each share held. Unsubscribed shares will be offered to the public. **Price**—By amendment. **Proceeds**—$3,050,000 to pay off short-term bank loans; $1,400,000 to acquire all of the capital stock of a corporation owning and operating a large home-furnishing store; $750,000 to pay the annual instalment on its 2½% serial notes; balance, working capital.

● **State Loan Co., Mount Rainier, Md.**

June 17 (letter of notification) 260 shares of preferred profit-sharing stock. Offering price: To be sold to key employees of the issuer at $44.70 a share and to key employees of subsidiary or affiliate companies at $100 a share. **Proceeds**—For general corporate purposes.

Stratford Pen Corp. (7/8-12)

June 5 filed 100,000 shares of common stock (par $1). **Underwriters**—First Colony Corp. **Proceeds**—To selling stockholders. **Offering**—Price to public, $9¼ per share. Of above, 5,000 shares are reserved for employees at $8.65 per share.

Steep Rock Iron Mines Ltd., Ont., Can.

March 27 filed 500,000 shares of capital stock (par $1). **Underwriters**—Otis & Co. **Offering**—Price to public by amendment. **Proceeds**—Net proceeds will be added to the general funds and will be available for general corporate purposes. For details see issue of April 4.

Sterling Electric Motors, Inc. (7/1-5)

May 27 filed $500,000 15-year 5% sinking fund debentures, due 1961, and 29,709 shares common stock (par $1). **Underwriters**—Maxwell, Marshall & Co. **Offering**—Debentures will be sold to public at $1,000 each and common at $3.50 a share. Each $1,000 of debentures will have attached a detachable stock purchase warrant for purchase of 100 common shares. In addition, four stockholders of the company will sell to the principal underwriter warrants for 19,591 common shares at 7 cents a warrant. **Proceeds**—To finance construction of additional factory building; purchase equipment and machine tools; retire current bank loans and working capital, etc.

● **Sunray Oil Corp., Tulsa, Okla. (7/12)**

June 24 filed $20,000,000 20-year debentures, due 1966, and 1,000,000 shares ($1 par) common stock. **Underwriters** are headed by Eastman, Dillon & Co. **Offering**—To be offered to the public. Price, by amendment. **Proceeds**—Company will use $25,500,000 of the net proceeds to retire 255,000 shares of 4¼% cumulative series A preferred stock at $100 a share and $13,029,250 to redeem $12,350,000 of 15-year 3¾% sinking fund debentures, due 1959, at 105½. The remaining proceeds will be used to reimburse its treasury for expenditures to be made in redemption of its 4½% preferred on July 17 at $41.50 a share plus accrued dividends. **Business**—The production and refining of crude oil and its products and the sale of natural gas.

● **Superdraulic Corp., Dearborn, Mich.**

June 20 (letter of notification) 299,000 shares ($1 par) common stock. Offering price, $1 a share. **Underwriters**—Lytle and Co., Inc., and Carr and Co. Of the proceeds, $100,000 will be used to construct a factory building and the balance will be used to purchase land, office furniture and equipment and as working capital.

Thalhimer Brothers, Inc., Richmond, Va.

June 10 filed 25,000 shares cumulative preferred stock (par $100). **Underwriter**—Kidder, Peabody & Co. **Offering**—Price by amendment. **Proceeds**—General corporate purposes.

● **Tonopah Belmont Consolidated Mines Co., Reno, Nev.**

June 21 (letter of notification) 550,000 shares of 50c par common stock. Offering price, 50c a share. **Underwriter**—Arthur C. Langan, Reno. **Proceeds**—For erection of mill and recondition of mine for ore production.

Torrington Manufacturing Co., Torrington, Conn.

June 6 (letter of notification) 9,700 shares of $25 par common stock to be offered to present common stockholders at the rate of one-half share for each share held. Offering price, $27.50 a share. No underwriting. For working capital and possibly to the reduction of serial loans.

Traders Post, Inc., Greenville, Miss.

May 31 (letter of notification) 2,000 shares of 5% preferred stock and 9,000 shares of common (no par). **Offering** price, $50 a share of preferred and $1 a share of common. **Underwriter**—Stock will be offered by Henry T. Crosby & Co., Greenville, Miss. For paying off real estate indebtedness.

● Trane Co., La Cross, Wis. (7/9)
June 20 filed 59,505 shares of common stock (par $2) of shares filed 45,905 are being sold on behalf of company and 13,600 on behalf of three stockholders. **Underwriter**—Cruttenden & Co. **Proceeds**—For plant additions, improvements, etc., redemption of 6% preferred stock and working capital. **Business**—Manufacturers of heating and air conditioning equipment.

● Transwestern Royalty Co., San Antonio, Tex. (7/15)
June 25, filed 75,000 shares ($10 par) capital stock and subscription warrants for the stock. **Underwriters**—No underwriters. **Offering**—The stock will be offered for subscription to holders of capital stock of Transwestern Oil Co. at rate of one share of Transwestern Royalty stock for each 10 shares of Transwestern Oil stock held. Transwestern Royalty was incorporated in June 1946 to acquire from Transwestern Oil all its oil and gas royalty interests. The acquisition is a preliminary step to the merger of Transwestern Oil into Sunray Oil Corp. **Price**—The subscription price is $12 a share. **Proceeds**—$750,000 to repay a bank loan; balance for working capital. **Business**—Ownership and management of oil and gas basic royalty interests.

● Trusteed Funds, Inc.
June 21 filed 1,500 plans C, 500 plans D and 2,000,000 theoretical units of Commonwealth Fund Indenture of Trust Plans C and D. **Underwriters**—Purchases and sales of securities for the Fund are made by Studley, Shupert & Co., Inc., the Fund's investment managers. Price, at market. **Proceeds**—For investment. **Business**—Investment fund.

United Cigar-Whelan Stores Corp., N. Y.
May 14 filed 50,000 shares of convertible preferred stock. Cumulative dividend, $3.50 per annum (par $100). **Underwriters**—Allen & Co. **Offering**—Prior preferred stockholders will be given privilege of exchanging such shares for shares of new convertible preferred stock at rate of four shares of prior preferred for one share of convertible preferred with a cash adjustment. Convertible preferred not issued under the exchange offer will be sold to underwriters and offered to public at $100 per share. For details see issue of May 19.

● United States Spring & Bumper Co., Los Angeles (7/15)
June 24, filed 30,000 shares ($50 par) 4½% cumulative convertible preferred stock and 80,000 shares ($1 par) common stock. **Underwriters**—Dean Witter & Co. **Offering**—To be offered publicly. **Price**—By amendment. **Proceeds**—Company will use $950,000 of net proceeds to retire long term bank loans; $750,000 to retire short term loans; about $400,000 for machinery and equipment; any remaining to working capital. **Business**—Manufacture of automobile leaf springs, bumpers, and fender guards.

Vacuum Concrete Corp., Philadelphia
May 28 (letter of notification) 25,000 shares of common stock (par $1). **Underwriter**—Eastman, Dillon & Co. will act as agents. Price to public, $11 per share. **Proceeds**—To purchase additional equipment; to acquire assets of Vacuum Concrete, Inc., by retiring remaining outstanding stock and liquidation of its liabilities; to expand and develop patents, and for working capital.

● Valley Aviation, Inc., Bethany, W. Va.
June 17 (letter of notification) 2,000 shares (par $10). Offering price, $10 a share. **Underwriters**—Thomas E. Cramblet, Dr. W. H. Cramblet, Wilbur H. Cramblet, Jr. **Proceeds**—To be used for general operation of the business.

Verney Corp., Boston, Mass. (7/2)
May 29 filed 150,000 shares of common stock (par $2.50). **Underwriters**—F. S. Moseley & Co. **Offering**—Price by amendment. Of shares being offered an unspecified amount is owned by selling stockholders and remaining shares are to be issued to the several underwriters upon conversion of company's 5% cumulative convertible preferred stock owned by the selling stockholders. For details see issue of May 30.

Virginia Red Lake Mines, Ltd.
June 24 filed 220,000 shares of capital stock (par $1—Canadian). **Underwriters**—Willis E. Burnside & Co., New York. **Offering**—Offering price to public 28 cents United States funds. For details see issue of Aug. 2, 1945.

● Wall Street Investing Corp., New York
June 19 filed 100,000 shares ($1 par) capital stock. **Underwriters**—No underwriting. Price, at market. **Proceeds**—For investment. **Business**—Investment business.

Western Frozen Foods Co., Inc., Watsonville, Calif.
June 6 100,000 shares of 5% cumulative convertible ($10 par) preferred stock. **Underwriter**—First California Co. **Offering**—Price, $10 a share. **Proceeds**—Debt payment, new plant and equipment and working capital.

Willys-Overland Motors, Inc., Toledo (7/1)
May 17 filed 155,145 shares of $4.50 cumul. preferred stock, series A (no par), convertible on or before Dec. 31, 1953), and 310,290 shares of common stock ($1 par). **Underwriters**—Kuhn, Loeb & Co., and E. H. Rollins & Sons, Inc. **Offering**—Company is offering to stockholders of record June 12 rights to subscribe for the series A preferred at rate of one share for each 16 shares of common held at $100 per share. Certain stockholders will not exercise their rights with respect to 46,773 shares of the series A preferred, which together with shares not subscribed for by other stock holders will be sold to underwriters. Company is also offering rights to stockholders of record June 12 to subscribe for 310,290 shares of common stock at rate of one new share for each eight shares held at $20 per share. All rights expire June 26. Unsubscribed common shares will be purchased by Willys Real Estate Realization Corp. Similar rights with respect to the preferred and common stock are being offered to holders of outstanding options. **Proceeds**—Net proceeds will be added to the general funds.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

● Worne Plastics Corp., New York
June 17 (letter of notification) 140,000 shares of common capital stock. Offering price, $2 a share. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York. **Proceeds**—For plant expansion, machinery, chemicals and working capital.

Wyandotte Hotel Co., Inc., Kansas City, Kan. (7/11)
June 10 filed $1,000,000 of 30-year ¼% income debentures, due 1976, and 10,000 shares common stock (no par). **Underwriters**—No underwriting. The securities will be offered to the public through a campaign directed by the Chamber of Commerce of Kansas City, Kans. **Offering**—The securities will be offered to the public in units consisting of one $200 debenture and two shares of common at $210 a unit. **Proceeds**—Proceeds, together with a loan, will be used for purchasing a site and constructing, furnishing and equipping a modern hotel of not less than 230 rooms. It is estimated the total cost will be $1,600,000.

Yank Yellowknife Gold Mines, Ltd., Tor., Ont.
Feb. 13 filed 600,000 shares of common stock (par $1). **Underwriters**—J. J. Carrick, Ltd., Toronto, Canada. **Offering**—Price to public 25 cents per share, United States funds. For details see issue of Feb. 21.

York (Pa.) County Gas Co.
May 8 filed $1,700,000 first mortgage bonds, due 1976. Will be sold at competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc. Interest rate by amendment. **Offering**—Price by amendment. **Proceeds**—Refunding. For details see issue of May 9.

Young Radiator Co., Racine, Wis.
Jan. 29 filed 100,000 shares of common stock (par $1); also registered 40,000 shares of common for issuance upon exercise of warrants. **Underwriters**—Van Alstyne, Noel & Co. **Offering**—Price to public $8.25 per share. Of 40,000 warrants to purchase common stock at $8.25 per share prior to Feb. 1, 1951, 20,000 were issue to stockholders on recapitalization and 20,000 are being sold to underwriters at 10 cents per warrant share. Offering postponed indefinitely. For details see issue of Feb. 7.

Prospective Security Offerings

(NOT YET IN REGISTRATION)

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Air Services, Inc., New York
April 1 company was reported planning sale of 150,000 shares of common stock through B. G. Cantor & Co., New York, as underwriter. Price about $2 per share. Company's headquarters will be located within eight miles of New York City. Principal business will be student training and charter service.

American Bemberg Corp., New York
June 25 stockholders approved proposal that present 7% preferred stock be exchanged for new 4½% issue.

American Bosch Corp.
April 16 reported that Alien Property Custodian may shortly ask for bids on 535,000 shares (77.24%) of the stock of the corporation. Probable bidders include Glore, Forgan & Co. and Lehman Brothers (jointly), and Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly).

American Broadcasting Co., New York
May 23 company filed with FCC application for permission to offer a new issue of 1,000,000 shares of stock to the public. Estimated net proceeds ($14,000,000) would be devoted to financing present and proposed facilities of company. The public offering of stock, if approved, will be made through Dillon, Read & Co. Inc., with whom arrangements have been made by the ABC providing for the purchase from it of the entire proposed issue of 1,000,000 shares at $14 a share. Sale of the stock to the public by Dillon, Read & Co., will be at $15 a share.

American Gas & Power Co.
April 10 company (name to be changed to Minneapolis Gas Co.), under modified plan approved by SEC, reserves right to make public offering of not in excess of 874,078 shares of new common stock. Probable bidders include White, Weld & Co., W. C. Langley & Co., Otis & Co.

● American Overseas Airlines, Inc.
June 25, in connection with 3-for-1 split-up of 1,000,000 shares of capital stock to be voted on July 11, it is stated that the split-up is for the purpose of broadening the market for the corporation's stock and thus facilitate the issue and sale of additional shares to provide funds to meet enlarged capital requirements. Probable underwriters, if new financing is undertaken, include Emanuel Deetjen & Co. and Lehman Brothers.

Arkansas Power & Light Co., Little Rock, Ark.
March 30 reported company planned to issue 290,000 shares common stock (par $12.50) and $5,000,000 in promissory notes, for purpose of paying current promissory notes and finance expansion program. Probable bidders include Dillon, Read & Co. Inc.; The First Boston Corp., and Blyth & Co., Inc.

● Armour & Co., Chicago
June 23, a recapitalization program providing for retirement of present outstanding preferred shares and eliminating of arrears, involving issuance of new preferred stocks and the sale of additional shares of common stock together with the refunding of a portion of company's bonded debt was announced. The plan calls for retirement of 532,996 shares of $6 prior preferred and 33,715 shares of 7% preferred stock. To effect such retirement the company proposes to issue 350,000 shares of first preference stock, 300,000 shares of second preference stock and 1,355,240 additional shares of common stock. The new first preference stock will have a stated value of $100 a share. These shares will be offered to holders of the present $6 prior preferred at the rate of 1 4/10ths shares of new stock for each share of old stock held. The new second preference stock also will have a stated value of $100 a share and will be convertible into common "at a rate to be fixed by the board of directors not exceeding 5½ shares of common stock for each share of second preference stock." Second preference stock, together with such shares of the first preference stock as are not exchanged for the $6 prior preferred stock, will be sold to the public through an underwriting syndicate headed by Kuhn, Loeb & Co.

Net proceeds from sale of the second preference stock will be applied to the redemption of the unexchanged shares of $6 prior preferred stock and the outstanding shares of 7% preferred stock. The 1,355,240 shares of additional common will be offered for sale to present

(Continued on page 3528)

(Continued from page 3527)
common stockholders by issuance of negotiable warrants for the purchase of the additional shares on a pro rata basis. It is contemplated that the offering price of the common shares to present shareholders will be below the market price and it is expected that the warrants will be traded on the New York Stock Exchange.

Artloom Corp., Philadelphia
July 16 stockholders will vote on increasing common stock by 300,000 shares, the new stock to be offered stockholders at $10 per share. Proceeds for expansion and working capital. Management does not anticipate entering into any underwriting arrangement.

Atlantic Refining Co., Philadelphia
May 7 stockholders approved proposal to increase the company's indebtedness from time to time by additional amounts not in excess of $50,000,000 in aggregate. The purpose of the plan, it was said, is to place the company in a position to fund bank loans, add to working capital and to provide funds for capital expenditures. Probable underwriters include Smith, Barney & Co.

Atlas Imperial Diesel Engine Co., Oakdale, Calif.
April 19 stockholders voted to split common stock 2 for 1 and create new preferred issue of 300,000 (par $10) of which 150,000 shares would be issued and sold to finance purchase of constituent company, improvements, etc. Blyth & Co., Inc., probable underwriters.

● Baltimore & Ohio RR.
June 22 it was reported that one effect of the railroad freight rate adjustment is expected to be a stimulation of bond refundings. Among the roads whose refinancing programs may then crystallize, the Baltimore & Ohio is named as a leading prospect, now that all barriers to the consummation of its $500,000,000 debt adjustment plan have been eliminated. Other portions of the debt now thought to be attractive possibilities for a refinancing operation besides the $76,900,000 of first mortgage 4s and the $67,800,000 first mortgage 5s. There are $37,200,000 of Southwestern Division 5% bonds, $36,800,000 Pittsburgh, Lake Erie & Western 4s, and $10,000,000 Toledo-Cincinnati Division mortgage series A 4s. Probable bidders, if refunding operations crystallize, are Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Bangor & Aroostook RR., Bangor, Me.
April 16 stockholders authorized new mortgage. Company contemplates refinancing one-third of outstanding funded debt (Dec. 31, 1945, $12,665,000) through sale of equal amount of bonds under new mortgage, through competitive bidding. Probable bidders include Harriman, Ripley & Co., Inc.; Lee Higginson Corp., and Halsey, Stuart & Co. Inc.

Bangor Hydro-Electric Co.
June 11 stockholders approved plans to retire 21,799 shares of 6% preferred stock through exchange for new 4% preferred. Under tentative plans, call date will be Oct. 1, next.

Beam (James B.) Distilling Co.
June 30 reported company planning some new financing with F. S. Yantis & Co., Chicago as probable underwriter.

Bridgeport (Conn.) Brass Co.
April 23 stockholders voted to issue an additional 450,000 shares of common stock when and if new capital is needed. Probable underwriters, Hincks Bro. & Co.; Stone & Webster Securities Corp.; Hornblower & Weeks.

Brown-Forman Distillers Corp., Louisville, Ky.
July 23 stockholders will vote on a plan which calls for increase in common stock from 300,000 shares to 600,000 (par $1), after which a 100% stock dividend will be declared. Directors also seek approval of an additional issue of 14,750 shares of 4% preferred stock for which the present $5 preferred can be exchanged, on a share-for-share basis.

● Carolina, Clinchfield & Ohio Ry.
June 26 it was reported that a refunding of the $21,400,000 first mortgage 4% series A bonds of 1965 is seen as a possibility. Probable bidders include Kidder, Peabody & Co.; Halsey, Stuart & Co. Inc.

Central Electric & Gas Co.
June 11 stockholders voted replacement of the authorized but unissued 50,000 shares ($50 par) $2.25 preferred stock with an equal number of new no-par $2 preferred stock with a stated value of $50. Initially it is planned that 35,000 shares of the latter stock will be issued. Company plans to issue an additional 175,000 shares ($1 par) common stock of which there are now outstanding 797,600 shares. Proceeds of the preferred and common stock sales are to be used to repay a $3,000,000 bank loan and to augment working capital.

Central & Southwest Corp.
Pursuant to plan of Central & South West Utilities Co. and American Public Service Co. approved by the SEC a sufficient number of shares of Central & Southwest Corp., the new company, would be sold at competitive bidding to provide funds, not otherwise supplied, to retire outstanding preferred stocks of Central and American. Possible bidders: Glore, Forgan & Co.; Lehman Brothers-Lazard Freres & Co. (jointly); Smith, Barney & Co.-Harriman, Ripley & Co. (jointly); Blyth & Co., Inc.; Stone & Webster Securities Corp. and First Boston Corp. (jointly).

Century Manufacturing & Instrument Co.
May 29 reported Estes, Snyder & Co., may underwrite offering of common stock following merger of Century and Continental Geophysical Service Co.

Chesapeake & Ohio Ry.
June 18 reported that probably one of the early developments when and if the merger of Chesapeake & Ohio Ry. and the Pere Marquette Ry. is approved will be a refunding operation to take in the debt of both roads. C. & O., it is expected, will take steps to refinance the refunding and improvement 3½s, due in 1996, of which $37,500,000 series D and $27,600,000 series E were outstanding at the close of 1945. The Pere Marquette has outstanding $59,749,000 first mortgage 3⅜s, series D, due in 1980. At the ICC hearings in April on the merger proposal, W. H. Wenneman stated that refinancing of the Pere Marquette issue would be undertaken promptly following consummation of the merger.

Chicago Milwaukee St. Paul & Pacific RR.
Issuance by the road of $58,900,000 lower-coupon first mortgage bonds, proceeds from the sale of which would be used to redeem first mortgage 4% bonds. 1994, is expected to be postponed until late this year. Earlier plans were for the retirement of the bonds July 1. Three investment banking groups were set up to enter competition for any new offering, viz.: Kuhn, Loeb & Co.; Mellon Securities Corp., and Halsey, Stuart & Co., Inc.

Cities Services Power & Light Co.
June 17 it was stated that with divestment by Federal Light & Traction Co. of its four New Mexico properties and merger of same into an intrastate company removed from SEC jurisdiction, it is anticipated that the shares of stock of the new company acquired by Cities Service, through ownership of Federal, will be sold through competitive bidding. Probable bidders: Blyth & Co., Inc.; First Boston Corp.; Otis & Co.; Harriman Ripley & Co.

● Citizens Utilities Co.
June 26 reported that present plans call for interim borrowing from banks to effect the redemption on or about Sept. 1 of $4,208,000 5½% bonds and for the subsequent issuance of a like amount of new lower interest bearing bonds.

Columbia Gas & Electric Corp., New York
April 12 it was stated that in final step in recapitalization program, corporation is expected to sell approximately $110,000,000 debentures to pay off balance of senior securities and provide funds for property expansion. Probable bidders include: Glore, Forgan & Co.; W. E. Hutton & Co., and Halsey, Stuart & Co., Inc.

Consolidated Edison Co. of New York, Inc.
June 12 filed with the New York Public Service Commission petition for approval of issuance and sale of $290,000,000 first and refunding mortgage bonds, the proceeds to be used to refund $304,240,000 outstanding long-term debt. Interest rate or rates to be determined by competitive bidding or other negotiations. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.

Consumers Power Co., Jackson, Mich.
June 18 company requested the SEC to approve the disposal of a sufficient number of common shares at competitive bidding to raise $20,000,000. Probable bidders include Morgan Stanley & Co.; Lehman Brothers; Shields & Co.; Harriman Ripley & Co., and Mellon Securities Corp.

Consumers, a subsidiary of the Commonwealth & Southern Corp., also proposes to increase the common from 2,000,000 to 6,000,000 shares and to issue 3,623,432 new common shares to its parent for the 1,811,716 now held by Commonwealth.

● Continental Foundry & Machine Co., Chicago
June 20 stockholders voted to create a new issue of 5% convertible preferred stock which will be offered in exchange on a share-for-share basis for 7% preferred stock. All the 7% stock which is not exchanged will be redeemed on July 1 at $105. Each share of new stock will be convertible into two and a half shares of common.

Continental Motors Corp., Detroit
July 30 stockholders will vote on creating a new issue of 350,000 preferred shares (par $50) of which it is planned to offer 250,000 shares of 4¼% convertible preferred. Proceeds of stock is to finance expansion and modernization of Muskegon plant, provide funds for acquisition of additional manufacturing facilities and working capital. Van Alstyne, Noel & Co. will be principal underwriters.

Detroit Edison Co., Detroit, Mich.
March 19 committee of directors formed to consider refinancing of $65,000,000 3½s and 4s. Probable bidders include: Mellon Securities Corp., First Boston Corp., Dillon, Read & Co. Inc., Coffin & Burr, Halsey, Stuart & Co., Inc., and Spencer Trask & Co.

Eastern Massachusetts Street Ry.
July 8 stockholders will vote on approving recapitalization plan eliminating 30,498 $6 first preferred stock, series A, through issuance of $3,658,800 4½% income debentures. Debentures are to be offered to preferred stockholders in ratio of $120 par for each preferred share. F. S. Moseley & Co. will be underwriters.

Electric Auto-Lite Co.
June 12 it was reported that company plans to offer in July to shareholders rights to purchase 298,971 additional shares of common stock in the ratio of one share for each four held. The financing, for the purpose of retiring company's V-Loan and current bank loans, also will provide, in part, for company's postwar expansion program and will replenish working capital already used for such purposes. Company is negotiating with a group of underwriters headed by Lehman Brothers and Smith, Barney & Co.

Empire District Electric Co., Joplin, Mo.
May 3 company filed application with the Arkansas P. S. Commission for authority to issue $2,000,000 2⅞% first mortgage bonds due in 1976. Proceeds would be used for additions and improvements to the company's properties in Missouri, Arkansas, Kansas and Oklahoma. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc.; Shields & Co. and Lehman Brothers.

Engineering & Research Corp.
June 14 reported company, manufacturer of air coupes, contemplates the issuance of 300,000 shares of common stock, with Hemphill, Noyes & Co. as underwriters.

Fairchild Engine & Airplane Corp.
May 28 corporation entered into an agreement with Smith, Barney & Co. and associates which provides that bankers will at any time during period from June 25, 1946, to and including June 28, 1946, make a single purchase from the corporation at $3.75 per share of such number of shares of the corporation's authorized but unissued common stock as corporation may elect to sell to them but not to exceed the lesser of (a) that number of shares which, when taken at the public offering price per share at which the bankers may resell said shares, will constitute an offering of $300,000, or (b) that number of shares of common stock into which the shares of preferred stock were convertible which were not converted on or prior to the redemption date. Agreement also provides that if any shares of common stock so purchased from corporation shall be resold by the bankers at more than $4.50 per share the bankers will upon all such sales, pay corporation the difference between $4.50 and the price at which such shares are so sold.

Fidelity & Guaranty Fire Corp., Baltimore
July 26 stockholders will vote on increasing authorized capital stock from 100,000 shares to 200,000 shares (par $10). The new stock will be offered for subscription to stockholders pro rata at $40 per share. The U. S. Fidelity & Guaranty Co. (parent) has announced that it will exercise its right to subscribe to the stock to which it is entitled and has agreed to purchase at $40 per share any new stock not subscribed for by stockholders.

Florida Power Corp.
June 4 it was reported that company to meet financing expenditures in 1947 may find it necessary to issue additional common stock if market conditions warrant it.

Fox Metal Products, Inc., Denver, Colo.
June 19 reported company planning sale of 99,000 shares of common stock through Frank C. Moore & Co. as underwriter. Issue is expected to be filed with the Securities and Exchange Commission shortly. Offering price will be $3 a share. Proceeds for expansion.

Fresh Dry Foods Inc., Columbia, S. C.
May 29 reported a registration statement covering 650,000 shares of common stock (par $1). Expected to be filed at an early date with Newkirk & Co., New York, as principal underwriters. Public offering price about $5 per share.

● General Bronze Corp.
June 25 reported that corporation will enter the capital markets for new money to finance its expansion program. Reports are that the financing probably will be in the form of a new preferred stock issue.

General Telephone Corp., New York
April 17 stockholders approved amendment to certificate of incorporation modifying restrictions against incurring debt for capital purposes without specific stockholders' approval. Stockholders also approved amendment to authorize 175,000 additional preferred shares. Probable bidders include Paine, Webber, Jackson & Curtis.

Goldring Merchandising Co.
May 28 reported prospective financing being discussed with Merrill Lynch, Pierce, Fenner & Beane, as underwriters.

Grand Union Co.
May 23 reported directors giving careful consideration to a splitup of common shares and issuance of additional new stock, but it is likely that no action will be taken before September. The management, it is said, is now making an exhaustive budget study to determine what additional capital will be needed to finance an expansion program.

Green's Ready Built Home, Inc., Rockford, Ill.
May 15 it was reported that early registration of 350,000 shares of common stock (par $1) was expected. Company, it is stated, will also sell 150,000 warrants to underwriters at 1¢ per warrant. Price of stock to public is expected to be $3.50 per share. Underwriters, it is understood, will be R. H. Johnson & Co., New York, and Shillinglaw, Bolger & Co., Chicago.

• Gulf Mobile & Ohio RR.
June 28 will receive bids for purchase of $2,000,000 equipment trust certificates. Probable bidders include Salomon Bros. & Hutzler, Halsey Stuart & Co. Inc.

Gulf States Utilities Co.
May 24 in connection with plan of dissolution of Engineers Public Service Co. part one of the plan calls for reclassification of common stocks of two subsidiaries, Gulf States Utilities Co. and El Paso Electric Co., and for their distribution to Engineers common stockholders. The Gulf States Utilities stock would be distributed through issuance of rights.

• Highway Safety Appliances, Inc.
Company intends to file by notification about July 12 25,000 shares of convertible preferred stock and 25,000 shares of common stock. Irving J. Rice & Co., St. Paul, Minn., will be underwriters. It is expected that the preferred will be offered at $6 per share and the common at $3.75 per share.

Hollander (A.) & Son, Inc., Newark, N. J.
July 25 stockholders will vote on splitting common stock 2½-for-1 and on authorizing an issue of $1,500,000 convertible preferred stock. Probable underwriter, Merrill Lynch, Pierce, Fenner & Beane.

Illinois Central RR.
May 3 it was announced that in connection with proposed bond refunding plan company proposes to sell $35,000,000 first and refunding mortgage bonds Series B. Proceeds would be used to retire outstanding refunding mortgage bonds to be called for payment Nov. 1 at 107½. Probable bidders: Kuhn, Loeb & Co. and Halsey, Stuart & Co. Inc.

Illinois Power Co., Decatur, Ill.
April 11 company filed plan with SEC to simplify capital structure. Plan contemplates the conversion of 5% cumulative preferred stock (par $50) into common stock on basis of two common shares for one preferred. Company states underwriting is available for this conversion program and will cover a 30-day commitment to purchase enough additional common to redeem any preferred not tendered for conversion. Company proposes issuance of 200,000 shares of new preferred (par $50) and such additional common shares to provide cash to pay dividend arrears certificates ($11,596,680). Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; Otis & Co., and the First Boston Corp.

Indianapolis (Ind.) Power & Light Co.
April 24 it was reported that company probably will replace its $32,000,000 first 3¼s due May 1, 1970, with new lower-cost securities. Probable underwriters include Lehman Brothers; Blyth & Co., Inc., and Halsey, Stuart & Co. Inc.

Interstate Power Co. (Del.)
May 21 pursuant to amended plan filed with SEC company proposes to sell through competitive bidding $20,000,000 new first mortgage bonds and such number of 3,000,000 common shares as may be necessary to enable the company to carry out the provisions of the amended plan. Probable bidders include the First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Dillon, Read & Co. Inc. (stock only).

Kansas Power & Light Co., Topeka, Kan.
May 31 reported company probably will replace outstanding bonds and preferred stock with new lower cost securities. Probable bidders if securities are sold include Halsey, Stuart & Co., Inc. (bonds only); The First Boston Corp.; Blyth & Co., Inc.; Kidder Peabody & Co.; Harris Hall & Co. (Inc.).

• Kingdom of the Netherlands
June 25 press dispatches from Amsterdam, stated that the Netherlands government would like to obtain dollars by the sale of bonds to the American public. The reports that it is exploring the matter now with the New York banking firm of Kuhn, Loeb & Co. Current discussions are said to involve a serial bond loan of $50,000,000 to $75,000,000 with maturity of 20 to 25 years. The proposed bond issue would be part of a newly conceived drive to build up dollar balances and check the recent unfavorable developments in Holland's trading position, which gives indications of producing a trade balance deficit much greater than earlier anticipated.

Kurman Electronic Corp.
Company, manufacturer of various electrical relays and clocks, is reported planning the sale of 90,000 shares of common stock through B. G. Cantor & Co. An additional 7,500 shares would be sold for account of N. S. Kurman, President. Price $3 per share.

• Lakeside Laboratories, Inc., Milwaukee
June 26 reported stockholders have been asked to approve a plan of recapitalization, which includes the issuance of 16,000 shares ($25 par) $1.16 dividend cumulative preferred stock, a total of $400,000. There will be outstanding, 255,000 shares of $1 par common stock. This will represent the first time the company, manufacturer of pharmaceuticals, has made any public offering. The issue will be handled by Loewi & Co., Milwaukee.

Macfadden Publications, Inc., New York
May 20 it was reported that company had under consideration plans to refund the outstanding 6% debentures and the $1.50 participating preference stock.

Metal Forming Corp.
May 29 filing of letter of notification expected in near future of 60,000 shares of common stock (par $1) to be sold for the account of certain stockholders. First Colony Corp., is to be underwriter. Stock expected to be offered at $7.50 per share.

• Michigan Gas Storage Co.
June 14 company, a recently organized corporation providing summer storage of natural gas developed in Michigan, requested the SEC for authority to issue 200,000 shares ($100 par) common stock. Company notified the SEC it intends to sell 60,000 shares of stock to Consumers Power Co., partly in exchange for properties and partly for cash at par value, and 20,000 to Panhandle Eastern Pipe Line Co. for $2,000,000. The remaining 120,000 shares would be held in reserve for issuance from time to time as the company requires additional funds.

Michigan-Wisconsin Pipe Line Co.
May 3 it was reported that Michigan Consolidated Gas Co., through the purchase of $17,000,000 in common stock, would acquire full control of the Michigan-Wisconsin Pipe Line Co. Sale of the stock to Michigan Consolidated would be a part of the initial financing of the new company, which proposes to build a $71,000,000 pipe line to bring natural gas from Texas to Midwest States. Michigan-Wisconsin's proposal also contemplates issuance of $6,000,000 in 2% 5-year serial notes and of $34,000,000 in 3¼% 20-year first mortgage bonds to complete the "initial financing." The plan has yet to be presented to the SEC. Probable bidders of the bonds include Dillon, Read & Co. Inc.; Glore, Forgan & Co.; White, Weld & Co.; Halsey, Stuart & Co. Inc., and Mellon Securities Corp.

Milwaukee Gas Light Co.
May 6 it was reported company is considering refunding its $13,000,000 4½% bonds due 1967 and the refunding or retiring of the $2,000,000 outstanding 7% preferred stock. Refunding step would strengthen company's capital structure as a forerunner to distribution of its stock by the American Light & Traction Co., parent, to enable latter to meet Utility Holding Company Act requirements. Probable bidders include Otis & Co., Glore, Forgan & Co. and Lehman Brothers (jointly); Halsey, Stuart & Co. Inc., and Dillon, Read & Co. Inc.

National City Lines, Inc., Chicago
May 15 it was intimated that company may have financing plans in connection with steps being taken in acquiring additional lines. Probable underwriters include Reynolds & Co.

National Container Corp.
May 23 it was reported that company may refund its outstanding $4,300,000, 5% debentures due 1959 later this year with new lower-cost securities. Probable underwriters Van Alstyne, Noel & Co.

National Gas & Electric Corp., New York
June 11 company filed with SEC a voluntary plan of simplification and recapitalization calling for retirement of the company's entire funded indebtedness through a series of financing operations. The plan provides, initially, for redemption of the presently outstanding 5% first lien collateral trust bonds by using the proceeds of a new $2,100,000 secured bank loan, and the repayment of this bank loan with funds to be received by the corporation as a result of the refunding of the bonds of its wholly-owned subsidiaries—National Utilities Co. of Michigan, and Industrial Gas Corp. of Ohio. The new $980,000 first mortgage 3% bonds of the Michigan subsidiary would be sold privately at par and accrued interest through an investment group consisting of Battles & Co., Inc., Philadelphia; G. H. Walker & Co. of Providence, R. I., and Smith, Landeryou & Co., Omaha, Neb. Under the plan, National Gas & Electric also would dispose of its holdings in Northern Indiana Fuel & Light Co.

• New England Gas & Electric Association, Cambridge, Mass.
June 24 the SEC approved the amended plan of reorganization providing for sale at competitive bidding of (a) $22,500,000 20-year sinking fund collateral trust bonds, plus (b) sufficient shares of new common stock out of the original issue of 2,300,000 shares to supply $11,500,000. Proceeds will be used to retire at par and interest outstanding debentures. Bidders may include Halsey, Stuart & Co., Inc. (for bonds only), Bear, Stearns & Co. (for stock only), First Boston Corp., White, Weld & Co.-Kidder, Peabody & Co. (Joint).

New York Dock Co., N. Y.
May 28 reported negotiations will be resumed probably in June with view for refunding of $10,000,000 first mortgage 4s, due 1951. New issue will probably run 25 years. Probable underwriters, Hayden, Stone & Co., and Halsey, Stuart & Co., Inc.

Northern Indiana Public Service Co.
April 17 reported that company has under consideration the refunding of its $45,000,000 series C 3⅛s with issue of about same size carrying lower coupon rate. Probable bidders, Halsey, Stuart & Co. Inc., and Harriman, Ripley & Co.

Northern Pacific Ry., St. Paul, Minn.
It was reported April 10 that company has under consideration the refunding of $55,000,000 collateral trust 4½% bonds due 1975 and the issuance of a new series of collateral trust bonds. Prospective bidders, Morgan Stanley & Co., Halsey, Stuart & Co. Inc., and Kidder, Peabody & Co.

• Northern States Power Co. of Minnesota
June 25 company asked the SEC for authority to issue 275,000 shares of new preferred stock, the price to be set at competitive bidding. Shares will be used to refund a like number of $5 preferred shares now outstanding. Present preferred holders are to be offered an exchange of the new stock, together with a cash adjustment between the offering price of the new shares and the call price of $110 a share on the $5 stock. Probable bidders include The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Harriman Ripley & Co.

Ohio Public Service Co.
May 28 it was reported that early sale by Cities Service Power & Light Co. of its common stock holdings of Ohio Public Service Co. was probable following the virtual completion of the refunding program of this subsidiary. This is one of the few remaining steps prior to complete divorcement of the Cities Service Co. from the utility field in compliance with the Public Utility Holding Company Act.

Oklahoma Gas & Electric Co., Oklahoma City
Company contemplates at same time Standard Gas & Electric Co. sells its holding of common stock (in accordance with SEC regulations) to sell approximately 140,000 shares of new common stock, proceeds of which will be used to reimburse treasury and retire bank loan used in redeeming the 7% preferred stock. Probable bidders will include Merrill Lynch, Pierce, Fenner & Beane; The First Boston Corp., and White, Weld & Co.

Pacific Lighting Corp.
June 7 directors authorized the management to prepare plans for refunding the corporation's 200,000 shares (no-par) cumulative $5 dividend preferred. Blyth & Co. will probably be underwriters.

Pennsylvania Edison Co., Altoona, Pa.
March 28 company applied to the SEC for permission to issue (a) $23,500,000 first mortgage bonds series of 1976, and (b) 101,000 shares of series C cumulative preferred stock, with a dividend rate not to exceed 4%. Both issues are to be sold through competitive bidding. Probable bidders include Mellon Securities Corp., Smith, Barney & Co., Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Beane.

Pennsylvania Gas & Electric Corp., York, Pa.
May 7 corporation applied to the SEC for permission to sell all of the common stock of the Petersburg & Hopewell Gas Co. (a subsidiary) consisting of 55,000 shares (par $10) to Scott, Horner & Mason, Inc., of Lynchburg, Va., for $600,000, plus closing adjustments.

• Pettibone Mulliken Corp., Chicago
June 19 stockholders approved an increase in the authorized capital stock to 250,000 shares from the present 108,425, and authorized the issuance of rights to stockholders to purchase some 15,000 of the newly authorized shares at not less than $20 a share. Rights are expected to be offered soon at approximately $25 a share. Shareholders also authorized the company to borrow up to $3,000,000 to provide funds for expansion, new equipment and for the refunding of a short-term bank loan of $950,000.

St. Louis (Mo.) Public Service Co.
April 19 the company petitioned the Missouri Public Service Commission to simplify its financial structure, including reduction in interest and sinking fund changes. Company proposes to retire current funded debt ($11,640,683) and to issue up to $10,000,000 new bonds, but limited originally to $6,000,000. Probable bidders include White, Weld & Co.; Blyth & Co., Inc., and First Boston Corp.

Southern Co., New York
The Southern Co. (to be successor to Commonwealth & Southern Corp.) proposes to sell for cash (when Commonwealth's recapitalization plan becomes effective) sufficient common stock to realize $10,000,000, to be invested in Southern Co.'s subsidiaries and new construction.

Southern Electric System, Inc.
May 10 pursuant to substitute plan for retirement of preferred stocks of Electric Power & Light Corp., filed with SEC common stockholders of Electric Power & Light Corp., would be given rights to subscribe to United Gas Corp. common stock and stock of the new holding company Southern Electric System, Inc. The latter company would be formed to hold the stocks of Arkansas Power & Light Co., Louisiana Power & Light Co., Mississippi Power & Light Co., and New Orleans Public Service Inc.

Southwest Merchandise Market, Wichita, Kan.
June 3 reported company is planning issuance of 99,000 shares of common stock (par $1) to be offered at $3 per share, with Clayton Securities Co.; Sills, Minton & Co., and Estes, Snyder & Co., as underwriters.

Stevens (J. P.) & Co., New York
May 29 it is rumored that company expects to do some new financing in the immediate future following the merger of several Southern mills in which the company holds a controlling interest. Reported Morgan Stanley & Co. probable underwriter.

(Continued on page 3530)

(Continued from page 3529)

Sun Chemical Co.

June 18 reported that company plans early registration of $4,275,000 20-year sinking fund debentures and $1,200,000 preferred stock, with Shields & Co. as underwriters.

Sunray Drug Co.

May 23 reported company plans registration in immediate future of $2,000,000 debentures. Proceeds to be used to pay $1,000,000 bank loan and for working capital. Probable underwriters, Eastman, Dillon & Co.

• Texas Co.

June 25 company reported negotiating the placement of $80,000,000 2⅝% debentures with insurance companies through Dillon, Read & Co.

• Textron, Inc.

August 1 stockholders will vote on approving an increase in the authorized common stock from 1,700,000 to 4,000,000 shares, split the common on a two-for-one basis, and reduce the authorized convertible preferred stock from 500,000 to the 200,000 shares now outstanding. Directors also would be empowered to sell common stock for cash, services or property, at their discretion. Probable underwriter, Blair & Co.

• Textron Southern, Inc.

June 26 announcement of financing to obtain funds to complete arrangements for the acquisition of Gosset Mills by Textron Southern, Inc., a subsidiary of Textron Inc., is expected shortly in financial circles. Probable underwriter Blair & Co.

Toledo (Ohio) Edison Co.

May 28 it was reported that a refunding program is contemplated at an early date for this company to be followed later by sale at competitive bidding of the common stock now held by Cities Service Power & Light Co.

Union Electric Co. of Missouri

It is rumored that company contemplates refunding its outstanding $90,000,000 3⅜s of 1971 with lower cost obligations. Possible bidders would include Dillon, Read & Co. Inc., and Halsey, Stuart & Co., Inc.

Union Gas System, Inc. (Kansas)

Under provisions of merger plan of Union Gas System, Inc. (Delaware) and Union Gas System, Inc. (Kan.) latter has completed negotiations to sell through Kansas underwriters to residents of Kansas only $500,000 5% preferred stock (par $100) at $103 per share.

Union Pacific RR.

May 9 it was reported officials are considering the question of meeting the $100,000,000 first mortgage railroad and land grant 4's due July 1, 1947. However it is felt maturity date is too far away to determine now whether issue will be paid off in cash or will be refunded. If company decides to refund through new issue probable bidders will be Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

United Light & Railways Co.

Is advising stockholders of its former parent, United Light & Power Co., that July 1 is the final date for exchanging their holdings under terms of the dissolution plan which went into effect in March, 1945. The plan provides that Railways common stock be issued in exchange on the basis of five shares for each Light & Power preferred share, and one-twentieth share for each A and B common share of Light & Power. The Railways common stock not taken in exchange will be sold after July 1. Proceeds will be distributed to the Light & Power stockholders who have not tendered their securities in exchange.

United States Lines Co. (N. J.)

June 4 stockholders voted to approve the issuance of 213,287 shares of new 4½% preferred stock in share-for-share exchange for outstanding 7% preferred stock. Any unexchanged 7% stock will be called for redemption at $10.50 a share and accrued dividends.

United States Realty-Sheraton, Inc.

In connection with the reorganization of the U. S. Realty & Improvement Co. and merger with Sheraton Corp., 42,390 shares of the reorganized company's common will be sold to an investment group headed by Lehman Brothers.

Wabash Railway

May 1 it was reported that company may possibly refund its $47,000,000 first mortgage 3¼s of 1971 with a lower coupon issue. Possible bidders include Halsey, Stuart & Co., Inc., and Kuhn, Loeb & Co.

Waitt & Bond, Inc., Newark, N. J.

June 12 it was reported company has under consideration a refinancing program. Announcement expected at early date.

Western Maryland Ry.

May 22 reported company working on plans to refinance $44,901,000 first mortgage 4s. Probable bidders include Kuhn, Loeb & Co., and Halsey, Stuart & Co. Inc.

Western Pacific RR.

April 11 ICC conditionally authorized company to issue $10,000,000 first mortgage bonds, series B, due Jan. 1, 1981, proceeds to be used to refund a like amount of first mortgage 4% bonds due Jan. 1, 1974, and held by RFC. Interest rate to be specified in bids. The directors have rejected the conditions attached by the ICC but the company on May 27 filed a petition for reconsideration and oral argument. Probable bidders include Blyth & Co., Inc.; Bear, Stearns & Co.; Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane; Shields & Co., and Glore, Forgan & Co.

• White Auto Stores, Inc.

June 24 reported an early registration of 75,000 shares of convertible preferred stock and 50,000 shares of common stock expected with First Colony Corp.; Rauscher, Pierce & Co.; B. V. Christie & Co.; Courts & Co., as underwriters. Preferred represents new financing, common being sold by stockholders. Expected preferred will be offered at $20 and common at $10 per share.

Wisconsin Public Service Co., Milwaukee, Wis.

May 20 it was reported that Standard Gas & Electric Co. expected to sell at competitive bidding some time in June its holdings of 1,099,970 shares of common stock. Probable bidders include The Wisconsin Co.; The First Boston Corp.; Harriman Ripley & Co.

Yonkers (N. Y.) Electric Light & Power Co.

June 14 New York Public Service Commission authorized company to issue $9,000,000 30-year debs., int. rate not to exceed 2¾%, to be guaranteed by parent. Issue to be sold through competitive bidding. Possible bidders include Halsey, Stuart & Co., Inc.; Morgan Stanley & Co.; Lehman Bros., Harriman Ripley & Co. and Union Securities Corp. (Joint); Blyth & Co., Inc.; Shields & Co. and White, Weld & Co. (Joint); W. C. Langley & Co.; Merrill, Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

Our Reporter's Report

With a continuing heavy volume of new business still piling up before it for the ensuing fortnight the investment underwriting fraternity is bending every effort to clear away the remnants of large-scale offerings that have been keeping it busy over recent weeks.

People in the dealer end of the business are not inclined to minimize the scope of the task, but on the contrary are frank to admit that it is a real job. Evidently some of the recent offerings encountered greater resistance from potential buyers, perhaps reflecting in some measure reports current about the country of conditions approaching a buyers' strike in other directions.

At any rate those who have the job of carrying new securities to the public contend there has been some "backing up," quite a bit of it in fact.

As one of their number puts it the product has been quite fully priced in many instances, and with the seasoned market a bit on the reactionary side "you really have to sell a customer these days." They don't just buy, he added.

Meanwhile it was reported that Wisconsin Electric Power Co.'s financing involving $50,000,000 of new first mortgage bonds and 260,000 shares of preferred stock, sold on a "basket bid" on Monday, was proving a really fast mover. Brisk demand was said to be absorbing both the bonds and the new preferred in a manner distinctly cheering to the Street.

100% Appreciation

People who bought into Glenmore Distilleries Co. common stock offered publicly on Tuesday certainly caught themselves a "quickie." Either the liquor stocks have not lost any of their appeal or the company and its bankers miscued on setting the offering price.

At any rate the syndicate opened books on its offering of 125,000 shares of the new stock priced at $18 a share, and before there was time to report closing of the subscriptions the issue was being quoted "over-the-counter" at prices as high as 34 bid and 35 asked.

Earnings reports embraced in the prospectus probably contributed to the demand, showing that in the first quarter this year the company netted $713,961 or almost as much as the $748,974 reported for the entire year 1945.

Moving Too Fast

Things backfired on this week's competitive offering of 312,000 shares of California Oregon Power Co. common stock for the account of the Standard Gas & Electric Co.

Two syndicates bid for the stock, with one syndicate making a high tender of $28.33 a share against the competitor's offer of $24.031 a share. The apparently successful group went ahead with plans for reoffering later in the week.

Then came the dawn. Standard Gas announced rejection of the bids because "the prices were not satisfactory" and added "we hope to try again in the future whenever market conditions improve."

Makes Another Try

California Electric Power Co. whose offering of $16,000,000 of new first mortgage, 30-year bonds, failed to attract a single bid when tenders were asked a fortnight ago, has decided to make another try.

The company is prepared to readvertise for bids for the issue to be opened next Monday. The new issue fraternity will be watching this one with more than cursory interest.

On its first call for bids the company specified that it would not consider any proposal of less than 104 for the bonds for which it had fixed a 4% coupon. In the new calls for bids, the company is retaining the 3% coupon, but is leaving the matter of price entirely up to bankers seeking the bonds.

No Summer Dullness

Confirming indications that this will be a busy summer for underwriters, American Telephone & Telegraph Co., has registered for $125,000,000 of new 40-year debentures to provide part of the funds needed for its vast pent-up backlog of expansion work.

Bids are due to be opened July 16 and at least two huge groups are known to be in the running for this choice morsel. A week before on July 9, Gatineau Power Co. will open bids on $64,000,000 of new issues, including $45,000,000 of Series C and $10,000,000 Series D first mortgage bonds and $9,500,000 of sinking fund debentures.

Yesterday Pennsylvania Electric Co. sold $23,500,000 of 30-year first mortgage bonds and 101,000 shares of cumulative preferred stock, which under the SEC's speedier clearance program could reach market within the next day or two.

Three With Burns, Potter

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Fred J. Beck, John R. Crites, and Clarence L. Weaver are now with Burns, Potter & Co., 202 South Seventeenth Street.

At Gregg, Storer Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Gregg, Storer & Co., Inc., 35 Congress Street, have added Alfred G. Irish and Walter M. Bush to their staff.

Denman Tire & Rubber Stocks Publicly Offered

Herrick, Waddell & Co., Inc., headed an underwriting group which on June 21 offered to the public 50,000 shares of 5% cumulative convertible preferred stock, $10 par value, and 95,000 shares of $1 par value common stock of Denman Tire & Rubber Co. The preferred stock was offered at $10 per share and the common was priced at $8 per share.

The preferred stock is being sold for the company and of the net proceeds approximately $100,000 will be used to finance expenditures made to improve the plant's operational efficiency and to increase tire production. The balance will be added to the company's working capital. Net proceeds from the sale of the common stock will revert to certain selling stockholders of the company.

The outstanding capitalization of the company upon completion of the financing will consist of 50,000 shares, $10 par value, of convertible cumulative preferred stock and 195,000 shares of common stock.

Bond Club Membership Largest in History

CLEVELAND, OHIO — Membership of the Bond Club of Cleveland today is the largest in its 25-year history.

This was announced by the club's President, Paul J. Eakin, at the annual spring party at Sleepy Hollow Country Club, Cleveland.

Eakin, who is with Hornblower & Weeks, stated that 27 new members have been admitted, boosting membership to 204, the highest since the club was formed in 1921.

In other business, following a golf tournament, two new Governors were elected. They are Orrin Koeser of Blyth & Co. and Rudford K. Wilson of Curtiss, House & Co. They succeed Eakin and John Hay of Merrill, Turben & Co.

Approximately 150 members attended the outing which was limited to members only this year because of restrictions at the country club.

Offecers of the club besides Eakin are: Walter Carleton of Fahey, Clark & Co., Vice-President; Wilson, Secretary, and Hay, Treasurer. Entertainment was supplied by a quartet, the Forest City Four. William Clark of Merrill, Turben, headed the publicity committee.

Jas. Buck Heads AIB Cleveland Chapter

CLEVELAND, OHIO—James L. Buck is the new President of the Cleveland Chapter, American Institute of Banking.

Buck, a branch manager, has been with Cleveland Trust Co. for 30 years and has been in AIB for 25 years. He is a past-president of the bank's Cleveland Trust Club.

Other officers elected by Governors are: Ralph Perry, of Morris Plan Bank, First Vice-President; Ford Steele of Central National Bank, Second Vice-President; Clarence Rankin of National City Bank, Treasurer, and Miss Jean Winsper of Central National Bank, was appointed Secretary. The meeting was held at Hawthorne Country Club.

Field Rejoins First Boston

CLEVELAND, OHIO—David A. Field has rejoined the First Boston Corporation, Union Commerce Building. He has been in the armed forces. Prior thereto he was in charge of firm's Cleveland office.

Fewel Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Fewel & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange, have added Robert S. Bryson and Richard C. Dinkins to their staff.

Broker-Dealer Personnel Items

(Special to THE FINANCIAL CHRONICLE)
BOSTON, MASS. — **Richard D. Peters** has been added to the staff of **W. C. Langley & Co.**, 115 Broadway, New York City.

(Special to THE FINANCIAL CHRONICLE)
BROOKLINE, MASS. — **Philip Tartas** has joined the staff of **Alex Bramsley**, 71 Kilsyth Road.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Charles Brown** is now associated with **Norris & Kenly**, 209 South La Salle Street. Mr. Brown was previously with David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Edward E. Waters** is now with **Carter H. Corbrey & Co.**, 135 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Lambert E. Reilly** has become affliated with **Leason & Co., Inc.**, 39 South La Salle Street. He was formerly with First Securities Company of Chicago.

(Special to THE FINANCIAL CHRONICLE)
CHICAGO, ILL. — **Robert T. McDevitt** has been added to the staff of **Shearson, Hammill & Co.**, 208 South La Salle Street. He was previously with Merrill Lynch Pierce, Fenner & Beane.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO — **William M. Mitchell** is with **Bache & Co.**, Dixie Terminal Building.

(Special to THE FINANCIAL CHRONICLE)
CINCINNATI, OHIO — **Thomas E. Tucker** is now associated with **Westheimer & Company**, 322 Walnut Street.

(Special to THE FINANCIAL CHRONICLE)
CLEVELAND, OHIO — **Richard I. Kern** has been added to the staff of **First Cleveland Corporation**, National City Bank Building.

(Special to THE FINANCIAL CHRONICLE)
DENVER, COLO. — **Richard M. Moore** has become associated with **Garrett-Bromfield & Co.**, 650 Seventeenth Street.

(Special to THE FINANCIAL CHRONICLE)
DETROIT, MICH.—**William P. Breen** is with **Marxer & Co.**, Penobscot Building.

(Special to THE FINANCIAL CHRONICLE)
GREEN BAY, WIS.—**Harold E. Hanson** has rejoined **Gillespie & Wouters**, Northern Building, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)
INDIANAPOLIS, IND.—**Francis X. Adams** has joined the staff of **F. S. Moseley & Co.**, Circle Tower.

(Special to THE FINANCIAL CHRONICLE)
INDIANAPOLIS, IND.—**John H. Ver Hulst** is with **Kiser, Cohn & Shumaker, Inc.**, Circle Tower.

(Special to THE FINANCIAL CHRONICLE)
INDIANAPOLIS, IND.—**Walter L. Catterlin** is affiliated with **Slayton & Co.**, Circle Towers.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO.—**Nathan Scarritt** has become connected with **Bache & Co.**, 1000 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO. — **Lee L. Lockridge** has become affiliated with **McDonald & Co.**, 417 Finance Building.

(Special to THE FINANCIAL CHRONICLE)
KANSAS CITY, MO.—**Clarence A. Toenniges, Jr.** is now connected with **Wahler, White & Co.**, Dwight Building.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Russ J. Hendrickson** has been added to the staff of **Oscar F. Kraft & Co.**, 530 West Sixth Street. He was formerly with G. Brashears & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Edward A. McNally** has become connected with **Lester & Co.**, 621 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Thomas R. Peirsol, Jr.**, formerly with Blyth & Co., Inc., is now associated with **Maxwell, Marshall & Co.**, 647 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**James H. Cassell** and **Lynn Hardeman** are with **Slayton & Co., Inc.**

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**Joseph Sattler** is now affiliated with **Robert I. Winters & Co., Inc.**, 548 South Spring Street. He was formerly with Pledger & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, CALIF.—**John L. Ainsworth** is now with **Dean Witter & Co.**, 634 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)
LOUISVILLE, KY.—**Edwin S. Klein** has joined the staff of **Stein Bros. & Boyce**, Starks Building Arcade.

(Special to THE FINANCIAL CHRONICLE)
MIAMI BEACH, FLA. — **A. Frederick Rodewald** is now with **Blair F. Claybaugh & Co.**, 421 Lincoln Road. He was previously with Southeastern Securities Corp.

(Special to THE FINANCIAL CHRONICLE)
MIAMI, BEACH, FLA.—**William R. Lilliott** has joined the staff of **Merrill Lynch, Pierce, Fenner & Beane**, Alfred I. du Pont Building.

(Special to THE FINANCIAL CHRONICLE)
MIAMI BEACH, FLA.—**Thomas B. Ray** is with **Herrick, Waddell & Co., Inc.**, 55 Liberty Street, New York City.

(Special to THE FINANCIAL CHRONICLE)
NEW ORLEANS, LA.—**George Dorsey** is with **Kingsbury & Alvis**, Hibernia Building.

(Special to THE FINANCIAL CHRONICLE)
OMAHA, NEB.—**David A. Kenny** is with **Central Republic Company**, 4907 Underwood Avenue.

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, MO. — **Harold J. Courtney** has joined the staff of **Reinholdt & Gardner**, 400 Locust Street.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on June 24 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated June 27 and to mature Sept. 26, which were offered on June 21, were opened at the Federal Reserve Banks on June 24.

Total applied for $1,854,714,000.

Total accepted, $1,305,799,000 (includes $33,397,000 entered on a fixed price basis of 99.905 and accepted in full).

Average price, 99.905+; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High 99.907; equivalent rate of discount approximately 0.358% per annum.

Low, 99.905; equivalent rate of discount approximately 0.376% per annum.

(67% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on June 27 in the amount of $1,313,401,000.

Strong OPA Bill Asked by Bowles

In a statement prepared for release at a news conference, Chester Bowles, Director of the Office of Economic Stabilization, on June 20 expressed his views of the bills now before a House Senate Conference Committee to extend the Price Control Act. He said that "none—literally none" of the changes now being considered by the Committee "seeks to strengthen the hand of the Government in the fight against inflation". There have been intimations that Mr. Bowles would resign if the contemplated revised extension bill were finally passed, but he declined to comment on the suggestion. However, according to Associated Press Washington advices, he reiterated that "if the bill which finally comes from the Congress is clearly inadequate to deal with the inflationary forces we are facing, the only remaining hope is a firm and unequivocal veto" by President Truman. From the Associated Press we quote:

He said an amendment which would remove ceilings June 30 on meat, dairy products, poultry and eggs is "so obviously disastrous" that he is confident the conference committee will eliminate it.

His fear, he declared, is that "less dramatic but equally dangerous" amendments may go unnoticed. These, he added, "are the booby trap amendments," the "delayed action bombs," and the "amendments in sheep's clothing."

He classified these as follows:

1. Price-raising proposals for manufacturers which he said would "begin to explode in an unending stream of higher prices all across the board."

2. Elimination of wholesaler and retailer cost absorption.

3. Restrictions on textile and clothing controls and elimination of the requirement that manufacturers produce inexpensive garments.

4. Amendments which set up procedures for removal of price controls. He cited cigarettes as an example, and said that coffee, after removal of ceilings, might go up as much as 15 cents a pound.

5. Amendments which would divide the responsibility for stabilizing the cost of living between OPA and the Department of Agriculture. "Neither the Secretary of Agriculture nor the Price Administrator would be able to protect the American people with this kind of half-authority and half-responsibility," Bowles said.

S. L. Weedon Returns To Hugh W. Long Co.

Colonel Sidney L. Weedon has returned to Hugh W. Long and Company, Inc., 48 Wall Street, New York City, as Vice-President, Hugh W. Long, President, announced. Colonel Weedon was associated with the Long Company as Vice-President in Charge of Sales before he was called to active duty in March, 1942 as a Major in Chemical Warfare Service.

Sidney L. Weedon

During the war Colonel Weedon was, for two and one-half years, Chief of the Intelligence Branch, Chemical Warfare Service, Washington, D. C. During this tour of duty he was called upon to make an extensive trip through the Middle East, North Africa, Italy, the United Kingdom, and Normandy, France, shortly after D-Day, interviewing prisoners of war and visiting German installations.

In January, 1945, he was sent to the American Embassy in London as Assistant Military Attache for Chemical Warfare and shortly thereafter was accredited to the Embassies in Holland, Belgium, Luxembourg, Switzerland and France as Assistant Military Attache also. He spent 18 months overseas.

He was awarded the Legion of Merit in June, 1945 at a special presentation made by Brigadier-General Marion Van Voorst at the American Embassy, London. His citation stated that he "facilitated a flow of enemy information from the field, which strongly influenced War Department preparations for both the offensive and defensive phases of Chemical Warfare" and that "his contribution reflected great credit on the Chemical Warfare Service."

When he received the Army Commendation Ribbon in 1946, at Washington, Major-General Alden H. Waitt, Chief of Chemical Warfare Service, stated, in personally commending him, "as Assistant Military Attache for Chemical Warfare to the American Embassy at London, Brussels, The Hague, Paris and Berne from January, 1945 to April, 1946, Colonel Weedon was largely responsible for the collection, evaluation and transmission of large quantities of extremely valuable intelligence which materially assisted this Service in the accomplishment of its mission." Also, "due to his voluntarily accepting all responsibilities pertaining to the handling of all matters of interest to the Chemical Warfare Service in the United Kingdom, subsequent to the deactivation of the London office of the Chief Chemical Officer, USFET, the termination of this installation was made possible without the loss of efficiency."

Before Colonel Weedon entered the investment business, he was a publisher of children's books in Cleveland, Ohio. He had been associated with Hugh W. Long and Company, Inc., since its inception in 1936.

The Investment Funds, New York Stocks, Manhattan Bond Fund, Investors' Management Fund, and Fundamental Investors, which are sponsored by the Long Company, exceed $100,000,000 in total assets.

With Harriman Ripley Co.

BOSTON, MASS.—Dwight L. Pierce is now associated with Harriman Ripley & Co., Incorporated, 30 Federal Street. He was formerly with Spencer Trask & Co.

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J. P. Brown With Cahn Co.

BALTIMORE, MD.—Frank D. Cahn & Co., Equitable Building, members of the New York and Baltimore Stock Exchanges, have added J. Prentiss Brown to their staff.

Allen Resigns As Gov. Of N. Y. Dealers Ass'n

Herbert Allen of Allen & Co., New York City, has resigned as a governor of the New York Security Dealers Association.

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In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

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A Path to Peace in Industrial Disputes

By HON. ALFRED SCHINDLER*
Under Secretary of Commerce

Commerce Department official, after asserting both business and labor must revise their thinking before achieving industrial unity and national prosperity, and after maintaining solution of peaceful industrial relations cannot come from legislation or from "bureaucratic interferences," proposes creation by each industry of a stabilization board, composed of labor and management members and headed by an impartial chairman. Grievances of both sides would be submitted to these boards and decisions of impartial chairmen would be binding. Wants each party to post bond, to be forfeited if decision is not accepted. Says plan will not interfere with union organizations or collective bargaining.

Never can it be said of American business that it has sat back and rubbed palms together in pleasurable anticipation of better things to come. It has gone out and worked for its achievements every foot of the way. That is why American industry has been a unique and tremendous social force—a social force possessed of the unswerving purpose of bringing more goods and more satisfactions to more people than any other system is capable of doing. This is what we mean when we talk of the "American way"!

Alfred Schindler

The British people may glory in the "British way," the Russians in the "Socialist way," but the "American way" has been a social force that has made our country a democratic giant among the great nations of the world—great in the strength of our heritage, our culture and our industry.

Democracy lives on a mutuality of interest. It thrives on tasks to

(Continued on page 3541)

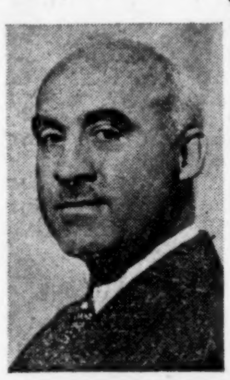
*Portion of an address by Under Secretary Schindler before the National Confectioners' Association, Chicago, Ill., June 25, 1946.

A Management Program Of Industrial Relations

By CARROLL E. FRENCH*
Director, Industrial Relations Department
National Association of Manufacturers

Asserting industrial relations are essentially personal relations, NAM official pleads for closest cooperation of labor and management from lowest to highest levels of contact. Holds though a corrective law is needed to eliminate inequalities between management and labor, permanent solution does not lie in legislation and problem is to create a two-way street for dealing with people as individuals and not in mass. Says fair play and good faith should dominate in collective bargaining and labor relations should be chief concern of top management in business. Calls for a renewal of faith in democratic process as a solution of the problem.

Current appraisal of the industrial relations scene across the nation would, on the surface, afford little basis for optimism. Almost eleven years after the passage of the Wagner Act, which implemented labor's right to organize and bargain collectively, the nation finds itself in the throes of industrial strife, impairing its economic postwar recovery, threatening the standard of living, and feeding the fires of inflation. In large segments of American industry the processes of collective bargaining have so completely broken down that the Chief Executive of the nation asks for emergency legislation, including the right to draft strikers of Government-seized plants into the Armed Services, and impose terms of settlement upon both labor and industry.



Carroll E. French

The Nation has finally been brought face to face with the inevitable consequences of the absence of a sound, balanced, and workable national labor policy. Anne O'Hare McCormick, well-known newspaperwoman, speaking before a recent convention of the New York State Business and

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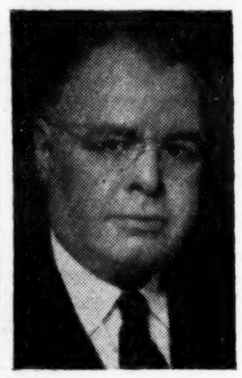
*An address by Mr. French before the Tamiment Industrial Relations Institute, Bushkill, Pa., June 20, 1946.

Congressman Wolcott Favors U. K. Loan

Representative Jesse P. Wolcott, Republican of Michigan, a member of the House Banking and Currency Committee, on June 13 issued the following statement:



Jesse P. Wolcott

I voted in Committee to report out the British Loan Agreement Bill and expect to support it when it is considered in the House.

I have carefully weighed the advantages against alleged disadvantages. I have come to the conclusion that Great Britain can be expected to live up to her intentions and agreements contained in the loan agreement to the effect that the dollar pool will be discontinued, her blocked sterling balances will be materially reduced, she will remove discriminatory empire trade preferences and restrictions and will effectuate plans which will make it possible to convert pounds sterling into dollars. Although the short-term benefits to us in foreign trade are not too material because of the immediate demand for all consumer goods, the ultimate results should be an expanded foreign market for all of our agricultural and industrial commodities. I believe these potential benefits in addition to certain foreign political advantages transcend, important as it is, the dollars-and-cents investment. The foreign political advantages which I mention include among other things the very important question of communist expansion in Europe and Asia to the prejudice of the world's economic and political peace. If one concludes, as I have, that the loan agreement will prevent Great Britain from having to affiliate herself with the Russian sphere of economic and political influence, then the loan will perhaps result in preventing a future war. If by the investment of three and three-fourths billion dollars America can even delay another world holocaust, it is a good investment.

GENERAL CONTENTS

The Financial Situation

It would perhaps be going too far to say that nowhere in the world today is there full realizaztion of the fundamental fact that work—hard, patient, untiring, productive work by everyone everywhere in the world—is the one indispensable ingredient in any effective prescription for the economic ills of this postwar era. If so, however, only limited reservations or limitations need be placed upon this sweeping generalization. Most business men, at least in this country, without doubt understand well enough that the world has always prospered, and always will prosper only as it toils and spins. Most of them are quite aware, we have no doubt, that this is particularly true today when so much of the world's accumulated wealth, productive and otherwise, has been destroyed. Thoughtful and realistic students of the situation have, of course, never been in doubt of it.

Voices in the Wilderness

But it often appears—we had almost said, regularly appears—that the protests of these relatively few are as voices crying in the wilderness. Politicians throughout the world, international schemers from one end of this planet to the other, and perhaps most of all those who "lead" the vast armies of "production workers" as they are now termed in Washington, seem for the most part to be quite oblivious to the fact that without full production—indeed, in the existing circumstances, extraordinarily abundant production—there can be no prompt escape from the war-born want. Where, perhaps, such understanding may in fair degree exist, there appears to be almost incredible ignorance or

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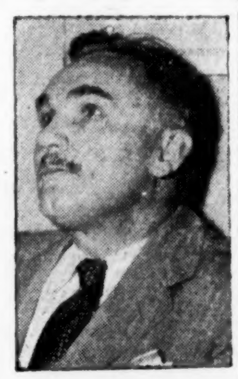
From Washington Ahead of the News

By CARLISLE BARGERON

A little publicized provision of the State Department appropriation bill just passed by the Senate brings to light a serious situation in the Washington Bureaucracy, one which would not be tolerated in any other country in the world. A rider to the appropriation bill provides that the State Department may at any time, for a period of a year, discharge employes without regard to their Civil Service status. The purpose of it is to get rid of the Commies and fellow travelers of the Department. It is a fine commentary on something that such a rider should be necessary, and furthermore, that the rider provides that this action does not prejudice these people from getting jobs in other departments of the Government. The Senate in its full wisdom has decided that Democracy or no Democracy, we shouldn't be having people of this ilk dealing with our foreign affairs. Being a great tolerant country, we shall continue to permit them to do their dirty work throughout the rest of the Government.



Carlisle Bargeron

The story behind this appropriation bill rider is that the FBI estimates there are now about 2,000 Commies and fellow travelers in the State Department. Before the war this usually dignified setup had only around 900 officers. Now it has some 20,000. The Department, in absorbing the Foreign Economic Administration, the Office of War Information and the rather gallant Office of Strategic Services, picked up thousands of daring young and youngish men of varying shades of ideology. Like many other departments in Washington, this one has gotten so big that the head can't tell what is happening beneath. He may lay down policies until he is blue in the face, but he will subsequently find that they are either being circumvented or at least only carried out in letter and not in full spirit. The Department has a "pro" school and a "con" school on Russia, on Argentina, and Franco Spain.

We have the amazing situation of an Assistant Secretary of State, Spruille Braden, still agitating against Argentina, with the connivance of Under-Secretary of

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Obstacles to Estate Creation

By JULIAN S. MYRICK*
Second Vice-President, Mutual Life Insurance Co. of N. Y.
Chairman of Board, American College of Life Underwriters

Mr. Myrick attacks Harvard University President's statement that "unlimited privilege" should be eradicated by confiscatory inheritance and gift taxes, and points out "American radicals" are already here, because under present taxes it is almost impossible to build an estate. Holds life insurance is best defense, and urges laws exempting life insurance premiums from taxable income. Says life insurance is self-administered social security.

Three years ago President James B. Conant of Harvard University wrote an article for the "Atlantic Monthly" magazine, entitled "Wanted: American Radicals," in which he called for an end to "inherited privilege" by legal confiscation of all property once a generation through "really effective inheritance and gift taxes and the breaking up of trust funds and estates."

Julian S. Myrick

Shortly after publication of the article, I gave a talk before the Boston Chapter of Chartered Life Underwriters, pointing out that the hot breath of Dr. Conant's "radical" already was upon us; that under then current Federal income and estate tax rates there no longer was an opportunity, starting from scratch, to create a competence for one's family by the standards of yesterday.

As evidence, I quoted Dr. Joseph Klein, one of this country's leading tax authorities, who maintained that to leave a net estate of $100,000 for the protection and security of your wife and children 10 years hence, one would have to earn no less than $85,000 a year, allowing for modest living expenses—a total of $850,000! As further evidence that the "American Radical" was closing in upon us, I presented the latest available figures showing the amount required to create a net estate of $50,000. These figures took into consideration the number of years it would take to build the $50,000 estate after allowing for taxes, living expenses and annual savings.

There was a War yet to be won when these tax rates were in effect, and there was every reason why taxes and MORE taxes should be levied in order that we might pay at least a part of the bill as we went along—just so long as those taxes weren't imposed for the purpose of social reform and didn't interfere with a man's obligation to leave a fair, living competence to his widow and children.

Chance for Estate Creating

But today—a year after final Victory—the personal tax picture is substantially unchanged. The Federal Income Tax rate has been lowered somewhat, to be sure—and for good reason—but the rates are still so high that it is practically impossible for anyone to build even a modest estate for the support of himself and family in old age or sickness out of earned income. The Income Tax hits us every year, and is therefore uppermost in our minds—even in an election year. But the Federal Estate Tax rate remains as high as ever, for, of course, Estate Taxes are payable after we're gone and cannot vote. And there has been no change whatever in the Gift Tax rate. Even Dr. Conant does not believe in such penalties on the highest type of our citizens.

Here's how the picture looks today:

CREATION OF A $50,000 ESTATE

No. of Years to Build Estate	Net Estate Desired	Values of Estate Before Payment of Estate Taxes	Annual Earnings Before Payment of Income Taxes	Amount of Income Taxes	Amount Required to Create Estate	Amount Available For Living Expenses
10 Years	$50,000	$50,300	$7,500	$1,217	$5,030	$1,253
20 Years	50,000	50,300	7,500	1,217	2,515	3,768
10 Years	50,000	50,300	10,000	1,949	5,030	[illegible]
20 Years	50.000	50.300	10,000	1,949	2.515	5,536
10 Years	50,000	50,300	15,000	3,806	5,030	6,164
20 Years	50,000	50.300	15,000	3,806	2,515	8,679

Assumption that taxpayer is married with two dependents. Income Taxes include Federal Income, and N. Y. State Income.

CREATION OF A $100,000 (OR LARGER) ESTATE

10 Years	$100,000	$107.000	$85.000	$51,500	$10,700	$22.800
20 Years	100,000	107,000	32,000	13,500	5,350	13,150
10 Years	250,000	320,000	600,000	497,000	32,000	71,000
20 Years	250,000	320.000	190,000	141,000	16,000	33,000
10 Years	500,000	700.000	1,270,000	1,079,000	70,000	121,000
20 Years	500,000	700,000	550,000	453,000	35,000	62,000
10 Years	1,000.000	1,530 000	2,130,000	1,827,000	153,000	150,000
20 Years	1,000,000	1,530,000	1,075,000	909,500	76,500	89,000

Assumption that taxpayer is married with no dependents. Income Taxes include Federal Income, and N. Y. State Income.

Now, what conclusions are we to draw from all this? I think they are obvious:

1. The "American Radical" is still beating his chest down in Washington with good effect.
2. At the present tax rate—and optimistically conceding no increase in the years to come—he'll probably attain his "legal confiscation" goal in two or three generations from now.
3. At the present income tax rates the young generation has no chance of accumulating any reasonable capital on which any estate tax can operate.
4. It therefore becomes the duty of all of us (a) to combat his (the radical's) influence through the democratic processes still available to us, and (b) while hopefully awaiting results, to set up the most effective defense possible for the protection of our families.

Life Insurance Best Defense

The best defense I know of at present is adequate Life Insurance. Until recently, it earned certain nominal tax advantages, such as $40,000 exemption — by reason of the fact that it constitutes indemnity against loss of income due to death. Yet if Life Insurance is to do its full job of preserving our estates as well—if, in other words, it is to be properly used not only to provide necessary income for our wives and children, but also to provide ready cash with which they may pay those Estate Taxes — then here, too, it's time for a change.

The social and economic advantages of Life Insurance in protecting the home, the aged and the business through its indemnifying feature is of great importance, not only to the individual but to the State and Federal Governments as well. The Income, Gift, Estate and Inheritance Taxes, in both Federal and State Governments, should not only give Life Insurance an even break in comparison with a man's other possessions, but should be so fixed and so administered as to encourage the widest possible ownership of Life Insurance. The States have been more liberal in their approach in this connection than has the Federal Government, which, through its taxing policy, seems to discourage Life Insurance rather than to encourage it. The more State and National Governments do to encourage men to provide for themselves and their families through the ownership of Life Insurance, the less such Governments will have to pay from their Treasuries in relief expenditures in the future.

Specifically, there appears to be a sound basis for the suggestion made by Senator Bridges of New Hampshire, that a deduction for Life Insurance premiums should be allowed in calculating Income Taxes. For instance, New York State makes an allowance of $150 for Life Insurance premiums. Mississippi also allows a deduction for Life Insurance premiums. There is great hope among our Policyholders and life insurance people that other States in the 1947 sessions of their Legislatures will be wise enough to adopt similar laws. This would give the taxpayer an incentive to build up and maintain a fair Life Insurance estate for the protection of his family or for his own protection at retirement — his own, self-administered "social security."

In 1943 in a speech before the American Institute of Accountants, Roswell Magill, formerly Assistant Secretary of the Treasury and prominent tax attorney, declared that "the building of substantial estates will be a rarity so long as present Income and Estate Tax rates are maintained." There are many others who believe that the recent exclusion of $40,000 of Life Insurance from Estate Tax should be restored immediately, if not increased to $100,000 due to the decrease in interest earnings. Otherwise, the Government would be in a position of giving with one hand while taking with the other.

In addition—and this is perhaps the most important of all, in view of the current Estate Tax situation — the so-called Lonergan Amendment, twice passed by the U. S. Senate, would have provided that Life Insurance specifically earmarked to pay Estate Taxes, should not be included in the taxable Estate. There remains much strong feeling that this measure should be re-introduced and passed by both houses. Recent encouragement and possible impetus to public interest will be found in the adoption by the United States Chamber of Commerce of a resolution approving this proposal as a part of its legislative program. This would not only help to save our Estates from "legal confiscation," and thus effectively thwart the "American Radical," but it would benefit the United States Treasury as well. For it would assure the Treasury of its tax revenue no matter what might be the structure of the Estate.

I closed my talk in Boston three years ago with a thought that may bear repeating. It was this:

"The progress of this great and enduring Country of ours has been based upon one thing and one alone: The will to work and to save and to provide security and freedom for the family. And freedom is not only a right but a hard-won heritage which constantly must be fought for to be preserved. If we, ourselves, are to be denied by law the privilege of providing security for the family, then others must provide it. And every time people accept a guarantee of security from others, they surrender an equal amount of freedom."

In the light of today's social-economic trend and in view of the radical philosophies that are attempting even further to influence our way of life, I believe that thought is perhaps more significant now than ever before.

*An address by Mr. Myrick before the New York Chapter of Chartered Life Underwriters, June 11, 1946.

Opposes Continuing NHA, Farmers' Loans

An announcement made on June 17 by the Mortgage Bankers' Association of America stated that its Vice-President, Guy T. O. Hollyday, of Baltimore, had voiced the organization's opposition to President Truman's Reorganization Plan No. 1 when he told members of the House Expenditures Committee, which is holding hearings on the proposed plan, that with the war over wartime Federal agencies should be discontinued. Mr. Truman's plan provides for making the National Housing Agency a permanent bureau, and Mr. Hollyday, taking particular exception to this provision which was not contemplated when the NHA was established during the war, asserted that the reorganization proposal will not abolish unnecessary functions and personnel, as far as the NHA is concerned, and will not make for more economical and practical methods of handling Government problems connected with real estate financing.

"The proposed plan does not reorganize at all." Mr. Hollyday declared. "It adds, combines, increases—but it does not reorganize. What it does is impose on FHA and the Federal Home Loan Bank Administration the unwieldy and unsympathetic weight of another holding company.

"We believe that Government agencies created in wartime should be liquidated as soon as the emergency has passed. We see nothing sacred in the birth of an agency which compels its perpetuation after it has served its purpose."

The MBA, in a Washington announcement on June 18, also went on record as opposing the proposed two-year extension of Federal authority to make Land Bank Commissioner loans to farmers, its farm loan committee, of which J. S. Corley, Treasurer of Bankers Life Company of Des Moines is Chairman, declaring that "existing conditions do not justify unnecessary emergency aid and high percentage loans encourage over-extension and consequent stimulus to a boom in sales prices."

Federal Land Banks make loans to farmers up to 65% of value while the Land Bank Commissioner loans are made from 65% to 75% of value. The loans originated during the depression years at a time when many farmers had to have easier farm mortgage credit than the Land Banks could supply.

Senate Approves Aid To Filipinos

A bill to permit Filipinos resident in the United States and its possessions to become United States citizens, with an immigration quota of 100 persons a year after July 4, was passed by the Senate and sent to the White House on June 14, the Associated Press reported from Washington, adding that two additional bills were sent by the Senate to the House, one of which would provide relief for Philippine veterans of World War II, and the other would return to the Commonwealth securities pledged to obtain a military equipment loan in 1935.

President Reports On Lend-Lease

In the 22d report to Congress on lend-lease operations, made June 14, President Truman disclosed that total lend-lease aid to all countries from March 11, 1941 through Dec. 31, 1945, had amounted to $49,096,000,000, according to an Associated Press Washington dispatch. Of the total sum, more than 60%, or $30,753,304,000, of all wartime lend-lease went to the British Empire. Russia was next with $11,141,470,000, and France and her possessions third, with $2,377,072,000.

Next was China, with $1,335,632,000, followed by Brazil, with $319,494,000. Other American republics received a total of $114,646,000; the Netherlands $178,064,000; Belgium, $82,884,000; Greece, $76,838,000; Norway, $37,708,000; other countries, $100,186,000.

The President's report stated that American military aid to China is "continuing beyond the period covered by this report," but recalled his statement of Dec. 15, 1945, when he promised that "United States support will not extend to United States military intervention to influence the course of any Chinese internal strife." He told Congress that it cost the United States $300,000,000 to transport four Chinese armies by air to place them in position to disarm the defeated Japanese after V-J Day. In explaining why it was deemed necessary to continue such aid to the Nationalist forces after lend-lease had been terminated for all other nations, the President revealed that in addition to the "gigantic lend-lease operation" of ferrying Chinese troops by air, $68,000,000 in vehicles and $50,000,000 in ammunition were lend-leased to China from American Army supplies in the Far East. From the Associated Press we quote:

"Two armies were transported by air from West and South China to the area of Shanghai," the President said, "and one of these was transferred further by air to Tientsin. Another army was picked up at Hankow and transported by air to Peiping.

"The President's report disclosed that this and other post V-J Day aid more than doubled the total lend-lease assistance furnished China before that date. The total through Dec. 31, 1945, now stands at $1,335,632,000."

The President's report also indicated that a total of $1,242,594,000 in American lend-lease was furnished American allies after V-J Day. Reverse lend-lease from other countries to the United States amounted to $7,345,747,000, most of this from the British Empire, which supplied $6,306,149,000.

New NLRB Member Named

James J. Reynolds, Jr., of New Jersey was named by President Truman on June 14 to be a member of the National Labor Relations Board, for a term of five years from Aug. 27. The nomination was confirmed by the U. S. Senate on June 21. Mr. Reynolds has been chosen to succeed Gerard D. Reilly, who according to advices to the New York "Times" from Washington June 14, is resigning to practice law in Boston and Washington. The advices also reported that Mr. Reynolds, 39 years old, a former member of the New York Stock Exchange who later went to work as a laborer in a steel mill, subsequently becoming director of industrial relations for the company, served in the Navy during the war. In 1945 he was appointed special assistant to the Under-Secretary of the Navy in charge of labor matters, and last May 22 went on inactive duty.

The State of Trade

Overall industrial production last week showed some slight improvement from the previous week with scattered reports indicating that more raw materials were being received by the factories. For many sections of the country reports told of gains in employment and payrolls with the settlement of many minor labor disputes.

In the steel mills outout continued its upward trend with operations estimated at 84.2% of capacity for the week beginning June 17. For the past week production of s.eel was only 5% below that of the week beginning May 18, the highest point for the year, and 9% below that of the corresponding week a year ago.

At long last, more tranquil labor conditions were restored to automobile suppliers' industries and more automobile manufacturers reopened their plants during the week. For the week ending June 15, car and truck output was estimated at 46,792 units, or 34% more than in the previous week.

On Tuesday of last week, J. A. Krug, Secretary of the Interior, announced the establishment of an 85-member National Pe.roleum Council for the purpose of continuing the Government-industry teamwork that proved so important a factor in the success of the war program.

In connection with production of Pennsylvania anthracite, it is interesting to no.e that for the week ending June 15, total estimated output, according to the Solid Fuel Administration, amoun.ed to 1,120,000 tons compared with 46,000 tons in the preceding week when most of the hard coal mines were out on strike. In the week ending June 16, 1945, anthracite production totaled 1,282,000 tons.

Lumber shipments for the week ending June 8 were 7.6% below production, while new orders in the same week were 17.4% below production. Output of flour for the same period rose 33.4% above that of the previous week, the first increase in three weeks. However, production was 43.2% under that of the corresponding week a year ago.

Meat production under Federal inspection for the week ending June 15 amounted to 180,000,000 pounds, which was 14% below that of the previous week and 38% under that of the corresponding week a year ago. In the case of creamery butter, output for the week ending June 13 was estimated at 27,200,000 pounds, or 1% above that of the previous week, but 33% below that of the like period a year ago.

With the expiration date of price control near at hand conferences were being conduc.ed last week between the House and Senate in an effort to determine the future of OPA. It is the belief of many observers that the final version of price con.rol extension would lean more toward the Senate's views than the House draft of the legislation, according to Business Action, weekly report from the Chamber of Commerce of the United States.

The publication expressed the opinion that OPA's authority would be curtailed sharply, contrary to Administration efforts to get a continuation of OPA control with little change.

Some of the features of the Senate plan are (1) Secretary of Agriculture to specify what farm commodities are in short supply and subject to price control; (2) control over non-farm products to be eliminated as soon as supply and demand balance; (3) removal by the end of 1946 of control over all items not important to living or business costs, and (4) establishment of decontrol board with veto power over Secretary of Agriculture and authority to order elimination of controls over non-farm products.

Shoppers were more numerous the past week, encouraged by warmer weather which resulted in total retail volume soaring above that of the like week a year ago. Indications in the week pointed to the fact that consumers were generally responsive to high-priced goods where quality was not lacking. It was noted that large increases occurred in dollar volume in food, apparel and hardware items over that of a year ago. Meat, bread and other food shortages remained acute, though the dollar volume of food was well above that of the corresponding week of last year.

The flow of more goods into wholesale markets, stemming from a gradual rise in industrial output in the past three weeks, brought about a moderate increase in wholesale trade volume the past week to levels considerably exceeding those of the comparable week a year ago.

Steel Industry—The steel industry last week pushed its operating rate within three points of the pre-coal strike level, when ingot production hit 86% of rated capacity, up 8.5 points from last week's figure.

Coal ou put gained rapidly the past week and may soon reach record levels, but the four-day shutdown in July may cause a temporary stringency in supplies for steel company use. Notwithstanding some opinion held to the contrary, the steel industry may get by the coal miners' vacation period without seriously interrupting output, states "The Iron Age," na.ional metalworking paper.

The strong upward trend in the steel operating rate is not a criterion for the supply of steel in consumers' hands. For the first time since the steel strike, sheet and strip customers of some firms are in a position to expect shipmen s to the full extent of their quotas, although these may fall far short of what they would like to receive, according to the magazine.

The full effects of the comple.e shutdown in the steel industry earlier this year are now being felt, and forcing the past week some midwestern plants to res.rict manufacturing operations by as much as 50% until fresh steel shipments of a balanced nature are received.

During the second half of this year the steel indus.ry is expected to get into full stride of uninterrupted output with the result that customers will receive a steadier flow of material. It may be September before the unbalance in steel products is elimina.ed, the magazine states, thus allowing manufacturing concerns to reach the highest point of efficiency in their production cycles.

With the steel industry going into a period of sustained operations, some steel observers are fearful that the unusually large backlogs will be whittled down rapidly because of duplicate ordering. Steel companies have no way of knowing the magni.ude of duplications in steel ordering because they have no access to competitors' books, but the total of such duplication, "The Iron Age" points out, is probably heavy.

In today's sellers' market customers who would be fortunate enough to obtain delivery on orders duplicated with other firms, would be hardly likely to cancel such orders. As production continues, backlogs in the steel industry are bound to be cut down

(Continued on page 3542)

Reports on Foreign Bond Situation

Dean John T. Madden, Director of Institute of International Finance of N. Y. University, estimates more than half of outstanding publicly offered foreign bonds are meeting debt requirements. Sees continuation of redemptions and repatriation of principal, and explains working of adjustment plan relating to Brazil Dollar Bonds.

In 1945 debt service has been paid in full on $2,468,976,271, or on 50.77% of the total of $4,863,081,625 of publicly offered foreign dollar bonds outstanding on Dec. 31, 1945, according to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds" issued on June 17 by Dean T. Madden, Director of the Institute of International Finance of New York University.

Dean J. T. Madden

The slight increase in proportion of bonds serviced in full from 50.17% in 1944 was due to the fact that during one year holders of substantial amounts of bonds assented to the Brazilian permanent adjustment plan. The increase would have been considerably greater were it not for the fact that amortization and redemption of fully serviced bonds and exceeded the repurchases and cancellations of bonds in total or partial default.

Status of Foreign Bonds

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1944 and 1945 are summarized in the following table:

	Dec. 31, 1944 (000,000)	%	Dec. 31, 1945 (000,000)	%
Debt Service paid in full	$2,568.4	50.17	$2,469.0	50.77
In default as to interest	2,433.7	47.54	2,277.8	46.84
In default as to sinking fund or principal	117.2	2.29	116.3	2.39
Total	$5,119.3	100.00	$4,863.1	100.00

On Dec. 31, 1945 European and Latin American debtors accounted for 83.8% of defaulted bonds. Of the total Latin American bonds in default, Mexico and Chile account for 32.2 and 20.3%, respectively, while German issues represent 57% of total European defaulted bonds. At the end of 1945 Latin America accounted for 32.6% of total defaulted bonds against 36.5% on Dec. 31, 1944. Europe's percentage increased 47.9% at the end of 1944 to 51.2% on Dec. 31, 1945. The Far East accounted at the end of 1945 for 12.7% of total defaulted bonds.

The geographical distribution of foreign dollar bonds in default as to interest on Dec. 31, 1945, is shown in the following table:

	Amount Outstanding (000,000)	Amount in Default (000,000)	% of Total Defaulted Bonds
Latin America	$1,339.5	$741.9	32.6
Europe	1,417.0	1,166.8	51.2
Far East	517.3	288.8	12.7
North America	1,589.3	80.2	3.5
	$4,863.1	$2,277.7	100.0

At the end of 1945, 82.3% of the European, 55.4% of the Latin American, 55.8% of the Far Eastern and 5.0% of the North American bonds outstanding were in default as to interest. An analysis of interest defaults by types of obligors shows that bonds of national governments account for 41.7%, corporate bonds for 39.6%, states, provinces and departments for 9.4%, and municipalities for 9.3%.

The Actual Interest Rate

The actual rate of interest return in 1945, based upon the amount of cash interest received for 1945 coupons on the nominal amount of publicly offered foreign dollar bonds outstanding at the end of the year, was 2.32% as compared with the average contractual rate of 5.14%. In 1944, the amount of cash interest received constituted 2.31% as against the contractual rate of 5.16%.

For 1945, an actual rate of return of 1.70% was received on Latin American bonds as compared to a contractual rate of 4.95%, while for 1944 the rates were 1.52 and 5.05%, respectively. In 1945, Europe paid at the rate of 0.90% instead of 6.10% contractual rate. In the preceding year Europe paid 0.94% instead of 6.10%. The North American group of issues in both years paid almost the full contractual rate of interest. There was practically no change in interest payments of the Far Eastern issues. The amount received in cash in respect to 1945 coupons was 45.06% of the contractual amount due, as against 44.78% in 1944.

The contractual amount of interest due and the amount received for 1945 coupons of bonds outstanding on Dec. 31, 1945 are shown in the following table:

	Nom. Amt. Outst'd (000)	Cont. Amt. Int. Due (000)	% of Aver. Contractual Rate of Int. Due	Act. Amt. Rec. in Cash (000)	% of Aver. Rate Ret.
Latin America	$1,339,441	$66,356	4.95	$22,711	1.70
Europe	1,417,036	86,473	6.10	12,728	0.90
Far East	517,260	28,698	5.55	11,347	2.19
North America	1,589,344	68,664	4.32	65,946	4.15
	$4,863,081	$250,191	5.14	$112,732	2.32

In discussing repatriation of bonds the bulletin states: The Institute has obtained information on foreign dollar bonds repatriated or purchased by foreigners of issues of twenty-one countries out of a total of thirty-eight countries still having dollar bonds outstanding in the United States. At the end of 1945 these twenty-one countries had outstanding $2,412,769,525 principal amount of dollar bonds, of which bonds with a face value of $779,008,135 or 32.29% of the outstanding amount were held abroad. Only $37,558,500 or 4.8% of the total repatriated amount represent bonds of countries that are paying interest on all issues in accordance with the loan contract.

Germany and Japan, which are in complete default of debt service, account for 56.56% of the total principal amount of bonds repatriated. These two countries have repurchased 36.64% and 69.51%, respectively, of their dollar issues publicly offered in the United States. In contrast, however, to the German repatriation, which was carried out mainly during the period the country was in partial or total default on interest and sinking-fund payments, the repatriation by Japan took place while service of bonds was fully maintained.

Brazil Adjustment Plan

Under the heading "Recent Developments" the bulletin presents information of importance to holders of foreign dollar bonds, including an analysis of the results of the Brazilian Government debt adjustment offer up to Dec. 31, 1945, the Province of Alberta debt reorganization plan, the proposed adjustment of the dollar and sterling debt of the National Railways of Mexico, and the settlement of the defaulted bonds of the Abitibi Power and Paper Company, Limited.

As of Dec. 31, 1945, bonds representing 19.61% of principal amount of dollar bonds outstanding on the day the Brazilian plan became effective have accepted Plan A, 55.81% have been exchanged into Plan B bonds, while 24.58% of the bonds have not elected either plan. Those optional (original) bonds outstanding in the face amount of $69,464,445, which are now considered by the Brazilian Government to be Plan A bonds, receive no interest unless they are presented for stamping to evidence their change into Plan A bonds. Owing to the reduction in principal in connection with the acceptance of Plan B and to the operation of the sinking fund the total Brazilian bonded dollar debt (exclusive of $335,500 principal amount of the State of Ceara bonds) has been reduced from $284,560,645 to $217,036,385 at the end of 1945.

US Eases Restrictions on Blocked Funds

Citizens or subjects of Italy, Bulgaria, Hungary or Rumania residing in those countries may now receive limited support remittances from their blocked property in the United States under an amendment of General License No. 32A issued on June 20 by the Treasury Department. The Department's advices said:

"These remittances are permitted in order to alleviate the many cases of severe personal hardship which have been brought to the attention of the Treasury Department. The amount, however, will be limited to a maximum of $200 per month for any one household, since no general determination has yet been made with respect to the disposition of the blocked property of these four countries.

"Individuals residing in these countries who are not citizens or subjects of enemy countries may receive up to $1,000 per month under the new license from their blocked funds. Prior to this amendment, the license extended this privilege only to individuals in Italy.

"Treasury officials pointed out that all restrictions against remittances to these countries from free funds were removed last December through the issuance of General License No. 94.

"Attention was directed to the fact that General License No. 32A does not waive the provisions of General Ruling No. 11A."

Steelman to Head OWMR

Reversing his decision to discontinue the Office of War Mobilization and Reconversion, President Truman on June 14 named John R. Steelman to succeed John W. Snyder, recently appointed Secretary of the Treasury, as Director of OWMR; the nomination of Mr. Steelman for a 2-year term was confirmed by the Senate on June 21. The President's statement announced that Mr. Steelman would also continue in his present capacity as labor adviser to the President.

The Financial Situation

(Continued from first page)

misconception of what is required to encourage (or perhaps better expressed, avoid discouraging) such work and such production.

Evidence of this infirmity lies about us on all sides. Whether we turn to domestic policies and preachments here in the United States or to the international scene as viewed by our policy makers in this country this same basic shortcoming is distressingly apparent. It is difficult at so great a distance to be quite certain of the situation in this respect in foreign lands, but such indications as are available amply warrant at the very least suspicion that the counterpart of our weaknesses in this regard is to be found quite generally throughout the world, at least among the conquering countries, with the apparent exception of Russia where, of all the countries of the world, communism (if that is what it really is) and hard work do not appear to be hopelessly antagonistic!

Consider the Facts!

Let the reader of these words consider what he sees daily in his newspaper and what is daily going on around him. He is being carefully kept aware of the fact that large sections of the world's population are now being limited to 1,000 calories per day, and that in all probability large numbers of people elsewhere are subsisting as best they may on even less! He is being told again and again and again of the lack of clothing available to millions of human beings in other lands. His dissatisfaction with lack of adequate housing here in the United States is being treated with ointment compounded of accounts of much greater privation in other lands. All this and much more like it is designed to reduce his disposition to complain of his own lot and to persuade him to do with still less in order that he may assist the much more unfortunate in other lands.

But if he asks what these foreign peoples are doing to meet their own dire wants, what is he told? If he inquires as to the length of time he will be expected to continue to contribute to the support of these alien hordes in many parts of the world, what satisfaction does he get? Unless he is persistent to the point of going far beyond the dispensers of the usual propaganda he gets no information or satisfaction at all on these points. Ignorance, or evasions to cover lack of knowledge, and in general a disposition to be quite indifferent to this aspect of the matter is what he almost invariably encounters. Even the most diligent and determined inquiry will almost certainly leave him much in the dark. The matter, apparently, just is not considered important enough to warrant study and disclosure—or else those in control are of the view that the least said about it the better.

Depressing Situation

If he happens to be one of the relatively few who have access to good sources of information, he soon finds the situation more than depressing. He soon finds that in occupied areas at least in Europe, popular slogans, queer political and economic notions, leftovers of war propaganda and war psychology, unending "red tape," and just plain incompetence and bungling, all stand directly athwart the path of economic self support among large industrial populations. He can scarcely avoid the impression that in at least some of the formerly "occupied" countries factional politics and bitter strife over "ideologies" is seriously deferring the day when Macedonian cries for help will no longer be needed. Rapid restoration of production—which of course in such regions in even larger degree than elsewhere in the world means harder and more diligent work — seems almost everywhere to occupy a secondary place in the public mind.

The same state of affairs in its essentials appears to exist right here within our own borders. No day ever passes without innumerable pleas to the rank and file to deny themselves in order that many millions elsewhere in the world may survive in health. How often do these same pleaders ever suggest to the "production worker" that he apply himself more diligently in order that more may be produced to satisfy both his own needs and those of the suffering millions abroad? Needless of course to ask how often it is suggested that these men and women work a few hours longer each week even with their usual straight time pay in order that more food, more essentials of all sorts be available to meet abnormal needs abroad without at the same time unreasonably reducing supplies available to our own citizens.

Meaningless Lip Service

It is true, of course, that vague oaths of allegiance to abundant production are taken from day to day by most of those who have special interest in keeping their names favorably before the rank and file. There is no denying that from time to time, of late at rather frequent intervals, these gentlemen come forward with plans as well as price or other adjustments designed (to let them tell it, at any rate) to increase production of this or that. The fact is though that these steps are so poorly conceived that it is quite evident that their authors do not understand "what makes the wheels go around" in business. They rarely do that for which they are designed, and when they do they simultaneously create other problems of magnitude corresponding to that which is thus solved.

That which is really essential — striking the shackles from business—they are not willing to do. And labor is quite as unwilling itself to do what is needful. Sooner or later, of course, experience will teach us the truth about these things, but that will be a needlessly expensive way to learn.

NYSE Short Interest To June 15 Reported

The New York Stock Exchange made public on June 19 the following announcement:

The short interest as of the close of business on the June 14, 1946 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 867,891 shares, compared with 1,022,399 shares on May 15, last, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of June 14, 1946 the total short interest in all odd-lot dealers' accounts was 41,048 shares, compared with 50,228 shares on May 15, 1946.

The Exchanges report added:

Of the 1,295 individual stock issues listed on the Exchange on June 14, 1946, there were 59 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1945—	
June 15	1,554,069
July 13	1,420,574
Aug. 14	1,305,780
Sept. 14	1,327,109
Oct. 15	1,404,483
Nov. 15	1,566,015
Dec. 15	1,465,798
1946—	
Jan. 15	1,270,098
Feb. 15	1,181,222
Mar. 15	1,015,772
Apr. 15	994,375
May 15	1,022,399
June 15	867,891

Efron Quits APC Post

Alien Property Custodian James E. Markham on June 24 announced the resignation of Samuel Efron, Assistant Chief of the APC's Division of Investigation. Mr. Efron is joining the New York law firm of Maass and Davidson. Before joining the APC in August 1942, Mr. Efron was an attorney for the Securities and Exchange Commission and the Department of Labor. He is a graduate of Lehigh University and Harvard Law School.

The Pot and the Kettle

"No amount of explaining can refute the fact that in a number of unions the individual has less freedom and fewer rights than he has as a citizen of the nation. To remedy this degeneration of union democracy we advocate the following measures:

"1. Regular and frequent conventions and membership meetings.

"2. Democratic election of all union officers, cutting appointive positions to a minimum, and through referendums among the membership rather than election by convention delegates.

"3. Participation by the membership on all negotiating committees, and discussions by the rank and file on all matters of union policy and strike settlements.

"4. End of all race discrimination by unions and the opening of the unions' rolls to all unorganized workers in the various trades.

"5. The elimination from positions of union leadership of all totalitarians — Communists, Fascists, Ku Klux Klansmen, as well as racketeers.

"6. The execution of effective trade union educational programs."—A Labor Committee of the Socialist Party.

Of course most union members are slaves to their unions!

But it hardly lies in the mouth of the Socialist party to criticize!

It is open to question whether a citizen of a Socialist state would have any freedom or rights at all.

That the typical Socialist is unable to see this simple truth is plainly suggested by the remedies for labor union slavery proposed by the committee quoted above.

Commerce Dept. Officials Leave for Moscow

Secretary of Commerce Henry A. Wallace on June 20 announced that two officials of the Department's Office of International Trade left that day on the Queen Mary for Moscow to discuss means of increasing trade between this country and the Soviet Union. It is stated that E. C. Ropes, USSR Policy Specialist in the Office of World Trade Policy, and Dr. Lewis L. Lorwin, Staff Economist in the Office of World Trade Policy, have developed an extensive agenda of matters to be taken up with Soviet officials. The reconstruction program of the USSR and the plans for full development of the Soviet Union offer tremendous possibilities for American goods and American technicians as well as for increased import from Russia, said the Commerce Department's announcement which in part also stated:

"Russia's Amtorg, or State-trading organization, has already had a great deal of experience in dealing with American firms. However, Mr. Ropes and Dr. Lorwin expect to discuss with Russian officials the new peacetime operations of Amtorg and methods of further facilitating trade. In line with one of the primary functions of the Office of International Trade, Mr. Ropes and Dr. Lorwin hope to develop a program with the Russians to increase and improve commercial information made available to the trade in both countries.

Mr. Ropes was educated in private schools in St. Petersburg, Russia, and Brooklyn, New York. He graduated from Columbia College, New York, in 1899. From 1919 to 1922 he was YMCA secretary in North Russia and Estonia. Mr. Ropes entered the Bureau of Foreign and Domestic Commerce of the Department of Commerce in 1923, became the Russian specialist in 1925 and has continued in that capacity to date, except for an absence of six months in 1928, devoted to a trip to the USSR for the Remington-Rand Company. He is the author of numerous articles and reviews on Russia, appearing in Government publications.

"Dr. Lorwin is well known in this country and abroad for his books dealing with economic and social problems and international relations. He taught economics and finance in several universities, was a member of the staff at Brookings Institution, and from 1935 to 1939 was Economic Adviser to the International Labor Office. During the war, he was Economic Adviser in the Foreign Economic Administration. With the transfer of part of FEA to the Department of Commerce, he became Staff Economist of the Office of World Trade Policy of the Office of International Trade. Dr. Lorwin has visited the Soviet Union several times. In 1929, he crossed Siberia on his way from Moscow to the conference of the Institute of Pacific Relations in Kyoto, Japan, to which he was a delegate. In 1935, he went to Moscow on a special mission from the International Labor Office to study the work of the Soviet economic and planning organizations. Dr. Lorwin was an adviser to the U. S. Delegation to the First General Assembly of the United Nations held in London in January-February, 1946. He is now an adviser from the Department of Commerce to John G. Winant, U. S. Representative on the Economic and Social Council of the United Nations.

U. S.-Venezuela Pact

An agreement for a United States military mission to serve two years in Venezuela was signed at Washington on June 3, said special advices on that date to the New York "Times" which further reported from Washington:

"Secretary of State James F. Byrnes signed the agreement with Alfredo Machado Hernandez, the Venezuelan Ambassador.

"The agreement follows the lines of similar arrangements with other American republics. Army and Navy officers are sent from the United States to advise the armed forces on modern tactics and equipment. The agreement was the result of a request from Venezuela. It provides for beyond the two years on request from Caracas."

Steel Operating Rate Again Up, Although Handicapped by Serious Shortages of Scrap

Steel producers this week were facing one of the most serious shortages of iron and steel scrap since wartime peak production in 1942-43 when national scrap drives and agitation for higher scrap prices were the general rule, according to "The Iron Age," national metalworking paper. "Until such time as manufacturing operations among steel consuming groups reach a much higher rate than at present, there is little chance of this situation being alleviated," adds the "Age" in its issue of today (June 27), which further goes on to say in part:

"While some dealers and scrap producers are reported to have been holding back supplies in the hope of higher prices, the fact that OPA will be extended has eliminated, for the time being at least, any chance for higher ceilings on iron and steel scrap. It is assumed that any product the supply of which is far below actual demand will continue to be controlled by OPA.

"The tonnage of scrap which is believed to have been held back recently during the national price controversy would represent only a small part of total scrap activity. When this tonnage starts to flow into consuming channels, it should have little or no effect upon the general supply picture. The present shortage of scrap has been aggravated by the increased use of scrap during the past two months when pig iron output was abnormally low.

"Some steel makers are pinning their hopes on a greater supply of pig iron over the next few months as renovated blast furnaces are brought back into production. The contemplated action of the Government to bring in some Government-owned and some high cost blast furnaces may help the situation when and if this action is taken. It is possible, however, that the present delicate balance between coal supplies and coal demand may result in the temporary shortage of coke for blast furnace fuel. Over the long run, however, the outlook for increased pig iron production is promising.

"In the face of scrap shortages, hot weather and other production difficulties, the steel industry this week was able to advance its operating rate to a figure which represents a weekly production of steel comparable with peak periods which followed the temporary setback after V-J Day. While some steel officials believe that the current scrap shortage will not only prevent the rate from going any higher, but will likely cause it to decline, this opinion is not uniform throughout the industry. Many times since the first of the year industry predictions on the speed of recovery from setbacks in output have been too conservative.

"In the nonferrous field consumers of nonferrous metals are gradually recognizing the fact that shortages of lead, tin, copper, zinc and silver are world-wide in scope and likely to continue indefinitely or at least until exploration reveals significant new deposits. Government subsidized purchases abroad starting with the war have served to obscure the significant rise in world prices of these metals which is due only in part to the runaway inflation present in most foreign mining areas.

"With chances certain that OPA's life will be extended, controls over prices of iron and steel products should continue as long as the supply falls far short of demand. However, it is expected that from time to time individual steel products will be decontrolled when supply and demand are in balance or when there is no question of a shortage. OPA has already taken such action on a few steel items, and has insisted that controls will be dropped on other products as conditions warrant. On the other hand if a special decontrol board is set up under the auspices of Congress, controls may be removed more rapidly than if the sole power to make decisions rested with OPA."

The American Iron and Steel Institute on June 24 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 87.2% of capacity for the week beginning June 24, compared with 84.2% one week ago, 43.6% one month ago and 91.5% one year ago. This represents an increase of 3.0 points or 3.6% from the preceding week. The operating rate for the week beginning June 24 is equivalent to 1,536,800 tons of steel ingots and castings, compared to 1,483,900 tons one week ago, 768,400 tons one month ago, and 1,675,900 tons one year ago.

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on June 24 stated in part as follows:

"Steel plant operations of 85% of capacity are now resulting in greater tonnage for civilian goods than during any previous period in history.

"Despite this tremendous output, mills are not able to keep up with the unending flow of demand from manufacturers of the everyday items needed in all our households, by business and industry, and for new construction.

"Nearly 20,000,000 tons have been lost as the result of strikes since VJ-Day. If this steel had been produced, supplies of household goods, construction steel, automobiles and other items now short would be more nearly approaching normal.

"While steel production is being increased rapidly, an early leveling off is in prospect as a result of shortages of pig iron and scrap.

"Coincidentally the feeling is growing in the trade that higher steel product prices as a result of increased costs, due to impending coal price advances, as well as higher freight rates, are likely to be effected in the near future. Currently, government agencies are working on a program which would permit pig iron producers to advance prices. Also an increase of as much as 50 cents per ton is reported pending on iron ore. Prices on other products entering into steelmaking also are expected to rise, influencing the higher trend in steel quotation.

"Meanwhile, with producers far behind on current commitments, scarcity of important rolled products, sheets, pipe shapes, small carbon bars and plates in particular, show few signs of easing. Impact of recent regulations designed to relieve the housing shortage and facilitate urgent requirements in other directions has placed pressure on sheets seldom before encountered.

"These regulations embodied in Director 12 to Order M-21, applying to third quarter, have placed special pressure on galvanized sheets because of their importance to home building and in somewhat less degree on enameling sheets for stoves, bathtubs and other household appliances. It is estimated that 20% of the total order book in sheet products in third quarter will go to meet needs of the housing program and agricultural equipment manufacturers, as outlined in Direction 12.

"Next in importance, but well behind sheets is pipe, with carbon bars third and light shapes probably next. Plates are well down on the list. In fact platemakers expect few certified orders under this regulation as household boilers and water heaters are not included in end-use products.

"Except for the increase in average composite price of finished steel, caused by a rise of $10 per ton in nails, steel composite prices are the same as have prevailed for several weeks. The new finished steel composite is $64.45, up 91 cents. Semifinished steel composite is $40.60, steelmaking pig iron $25.50, steelmaking scrap $19.17."

WAA to Aid Small Business

Under a recently issued order of the War Assets Administration small manufacturers can procure a fair share of scarce plant equipment and production materials, according to Washington advices on June 18 to the "Journal of Commerce," which state that the new order allows contractors in possession who waive their option rights to purchase directly from the owning agencies not more than 25% of the short supply of Government-owned equipment in their plants. It is added that "Where the contractor in possession is a small operator, this provision is liberalized to allow purchase by the contractor up to 100% of the short supply items.

"The order will provide also that, after priority claimants are taken care of, the needs of small companies are to be filled before those of larger companies."

Revised Special Order 24, the "Journal of Commerce" continues, states:

"'Precedence shall be given to orders received from small retailers and from wholesalers who serve small independent retailers.' The new order, General Texton said, will extend this operating principle to capital and producers' goods.

"The House Small Business Committee said the order will eliminate 'the special advantage which big contractors in possession of surplus equipment had in being able to pick and choose the best tools and equipment in short supply before those items were declared surplus. . . . This adversely affected smaller manufacturers because the bulk of this equipment was stored in the plants of the largest firms'."

At the same time, Brig.-Gen. G. E. Texton, WAA Deputy Administrator for Plans and Policies, according to the same sources, disclosed that a new certifying procedure for veterans is being developed. The "Journal of Commerce" advices further said:

"The new procedure will provide flexibility for the veteran by substituting a blanket certification good for an assortment of items, in place of the present certificate which is valid only for industrial items.

"Under the plan a veteran would be given a certificate to buy a specific amount of goods—no limit has been set—and he would be permitted to carry the certificate with him from site sale to site sale until the over-all amount of his certification is attained.

"General Texton added, however, that 'the most difficult problem in the field of sales to veterans is the question of veteran brokerage. The Administration has been continuously studying this problem and at the moment has no effective solution to it . . . the best approach appears to be an appeal to the honesty and integrity of the veteran.'

"In another step to aid veterans and small business purchasers, the WAA has arranged with the Reconstruction Finance Corp. for the latter agency to assign a bonded representative at each site sale. According to General Texton, the RFC representative will have authority to accept payment for surplus property and to include the necessary transaction with the War Assets Administration at the site."

Holds Silver Shortage Impedes Auto Output

Manufacturer of electric contact points, user of the metal, says producers have been forced to re-process scrap. Blames silver Senators, who are crusading for $1.29 an ounce silver.

"Because silver is off the market, new cars may be off the highways," John Tebben, of the H. A. Wilson Co., Newark, N. J., manufacturers of electrical contact points, declared in a statement, issued June 21.

"That may sound like a headline for a tabloid," he added, "but I've been trying to think of some way to ram home a hard truth—and, that's the best I can do. Silver is the critical material in the product we make. It is now unobtainable. This is what that may mean:

"If the automotive industry—which has had so many, various difficulties during reconversion—now were able to operate at full capacity, deliveries of the cars everybody wants and needs probably would be halted in about three weeks by the exhaustion of the supply of what might be described as 'little gadgets nobody knows'—electric contact points. They make and break electric currents. The points are of silver. There are a dozen or more in every car.

"A survey of the companies manufacturing contact points indicates that in May we were delivering less than 10% of the industrial demand—automotive, and many other industries. By mid-May we were scratching bottom on silver supply. We were reprocessing scrap. We stopped making deliveries.

"Our little industry is hit by a silver famine, whose effects shortly will be felt by many big industries, because Senators from Western, silver-producing States again are crusading on a '$1.29 or bust' basis. They are taking advantage of the wartime sharp drop in the mining of silver throughout the world, and the consequent shortage of supply, to 'decree'—that's what it really amounts to—that nobody shall have any silver for industrial use, now, unless it is agreed and enacted that silver mining interests get $1.29 an ounce from 1948 on. Or, until they decide to ask for more. That figure is three and one-half times the prewar price of the metal.

"These so-called Silver Bloc Senators actually have succeeded for seven months in obstructing efforts—for which the House voted favorably twice—to solve the supply crisis by selling the silver-using industries some of the Treasury's idle and unneeded silver.

"Some of then now have indicated that they will continue to prevent such purchases until Congress adjourns with no action taken, unless they get what the silver-producing interests of the West want, legalized $1.29 silver. That's brazen enough; but, they make no secret of it.

"This will cost many industries much and it may cost a great many employees much more. And, I would say that it is a matter of concern for all of us, since everybody wants a new car and the lack of tiny bits of silver shortly may become the reason why cars cannot be delivered."

Retail Prices Show Sharp Advance in May According To Fairchild Index

Fairchild Publications' Retail Price Index showed a sharper advance between May 1 and June 1 than it has recorded for many months, said the report of the index issued by Fairchild Publications on June 18. The Price Index at the beginning of June stood at 114.5 (Jan. 3, 1931=100). This compares with an Index of 113.7 as of May 1 and 113.4 in June last year, the announcement pointed out.

Infants' and children's wear was the only main category of the Index which remained stable. Piece goods, men's apparel, women's apparel and home furnishings all showed increases, said the announcement, which continued:

"Gains in piece goods departments were recorded principally for woolens and for cotton washgoods. The latter, in particular, is in conformity with the rising trend of basic cotton fabric prices. Sheets also continued the advance recorded in May, although blankets and comforters remained stable at the May level.

"Among the women's apparel items the sharpest increase was reported for corsets and brassieres. There was also a further rise in retail prices for furs and shoes. There was no change in hosiery and very little change in underwear.

"The advance in men's apparel was moderate. The Index rose from 105.7 to 106.2. Chief advances were reported for men's underwear, shirts, neckwear and clothing.

"In the home furnishings department furniture and floor coverings showed the principal increases. Radio and luggage showed only a slight gain above the May level.

"Infants' underwear was among the few items showing a minor decline during the month. This was offset by small increases for infants' and children's socks and shoes.

"The action of the Retail Price Index is not surprising according to A. W. Zelomek, economist, under whose supervision the Index is prepared. Modifications of price control, in response to the steady upward pressure on prices, is beginning to show up at the retail level. Further gains can be expected in the next few months regardless of the outcome of price control legislation."

Walker to Remain on FCC

The nomination of Paul A. Walker of Oklahoma City, Okla., for another seven-year term from July 1 on the Federal Communications Commission, of which he was an orginal member, was approved on June 14 by the Senate Interstate Commerce Committee, while the Senate confirmed the nomination June 15. Mr. Walker's name was sent to the Senate by the President on May 13.

Dinner for Graduate School Of Banking at ABA Chicago Convention

The Chicago alumni of The Graduate School of Banking have issued an invitation to a reunion dinner to GSB students and alumni who attend the American Bankers Association's convention at Chicago in September. Kenneth R. Wells of the American National Bank & Trust Company of Chicago has been named Chairman of the affair by Franklin L. Purrington, of the Federal Reserve Bank of Chicago, who is Acting President of the Chicago alumni group. Plans call for a cocktail party and dinner on Tuesday evening, Sept. 24, a time which does not conflict with any other scheduled convention activity. Students and alumni of The Graduate School of Banking who plan to attend the convention may make advance reservations through Mr. Wells, who estimates that from 200 to 300 GSB men will attend the dinner.

April Factory Employment in New York State Highest Since V-J Day

Employment dislocations in New York State resulting from the recent wave of industrial disputes were largely dissipated by mid-April when industry continued its reconversion to peacetime production at an accelerated pace, according to an announcement issued on June 21 by the Division of Placement and Unemployment Insurance of the State Department of Labor, which continued:

"A total of 1,778,700 workers were employed in April in factories subject to the New York State Unemployment Insurance Law. This total, representing 99% of all manufacturing employment in the State, is the highest employment figure for any month since V-J Day.

Although declines from wartime peaks for factory employment in New York State have been severe, dips in nationwide figures have been much more pronounced. Consequently, the relative position of New York State manufacturing employment has improved. While New York State industries employed about 13% of all manufacturing workers in the nation during 1943 and 1944, the post-V-J Day ratio rose to 14%. During the first four months of 1946 it was almost 15%.

"The end of the war had less effect upon New York's diversified industrial structure than upon the war-stimulated industry of other States. The report went on, reconversion to peacetime production has been a minor problem to the important consumer goods industries in the State. Most producer goods plants easily switched to turning out their former products. In proportion to its peacetime capacity, the State does not have as many new plants designed primarily for the manufacture of war goods as do many other States.

"Factory employment in the State is, of course, well below the wartime level when more than 2,000,000 workers were employed. From the wartime peak of 2,141,200 workers in September, 1943, employment declined slowly until V-E Day when it totaled 1,978,600, a drop of 7.6%. From V-E Day to V-J Day it declined by about 126,900, and by October, October, 1945, had dropped to 1,697,100 — a decline of 20.8% from the 1943 peak. From October, 1945, to January, 1946, the trend was reversed, with 31,300 workers reemployed. A drop of 51,200 workers in February was due largely to the nationwide automobile, steel, and electrical equipment strikes. When some of these strikes were settled, March employment rose to the mid-January level. In April, the settlement of all major strikes in the State, coupled with further reemployment for peacetime production, raised employment 50,000 above the January level and about 82,000 above that of October, 1945.

"The figures for total manufacturing employment subject to the Unemployment Insurance Law shown for January, 1943, through April, 1946, are based on recently compiled data. Total manufacturing employment in April, 1946, is estimated at 1,797,700 workers, of which 99% are covered by the Unemployment Insurance law. The remaining 1%, or about 19,000 employees, work in firms employing fewer than four employees. Of the 1,778,700 insured workers, 1,425,600, or 80%, are production wage-earners. The remaining 353,100 are engaged in supervisory, office, maintenance and similar occupations in the manufacturing firms of the State."

Merrill, Lynch Graduate Four From Training

Victor Cook, partner in charge of the New York branch of Merrill Lynch, Pierce, Fenner & Beane, announced that four graduates of the firm's Investment Training School have been assigned as account executives at 70 Pine Street office. The new men are William L. Fieldman, of Elizabeth, N. J.; Joseph L. Hoguet, of New York City; John J. Humm, of Baldwin, L. I., and Elijah N. Jones, of Durham, N. C.

Mr. Fieldman, who is a graduate of the University of Pennsylvania, served as an officer with the Air Forces in Europe before entering the school. Prior to joining the Army he was employed by Feltman Bros., Juvenile Import Co., Manila, P. I.

Mr. Hoguet, who is a graduate of Harvard, entered the Merrill Lynch School directly from the Navy, where he took part in the invasion of Iwo Jima and the early occupation of Japan. Prior to joining the Navy he was employed by International Mercantile Marine Co.

Mr. Humm, who is a graduate of the Unversity of Dayton, served for five years as an Army officer in the Asiatic-Pacific Theatre before enrolling in the school.

Mr. Jones, a graduate of Elon College, also holds a Masters Degree from Duke University. He was a naval intelligence officer for five years before entering the Merrill Lynch School. He was Business Manager of the Durham, N. C., city schools system when he entered the service.

Mr. Cook said that he felt particularly fortunate in being able to get four of the graduates of the first veterans' class trained by Merrill Lynch for the New York office.

"The demand of our branches in other cities for trained account executives has been so intense that it was a real job to decide who should get first choice. We finally solved the problem by letting the men pick their own spots. Most of them, naturally, wanted to return to their own communities, but New York was the second choice of most and the first choice of four.

"Our school is running full blast with two classes now in training. We are going to keep it going until we have filled the personnel gap caused by the depression and the war. I hope that we can get men from every class for the New York office. It is the best guarantee of improved customer service that I can think of."

McNutt Envoy to Manila

President Truman announced on June 14 that Paul V. McNutt, now High Commissioner to the Philippines, would be the first American Ambassador there after the Islands become a Republic July 4. The nomination was sent to the Senate by the President on June 18 and confirmed by that body on June 20. Mr. Truman has also assigned Mr. McNutt to represent him at the independence ceremonies, releasing Secretary of the Interior J. A. Krug who had been previously named for the position and will now be able to remain in the United States where the President's press secretary, Charles G. Ross, said "he has a mountain of work before him."

Mr. McNutt is now in the Islands, an Associated Press Washington dispatch June 14 stated, where he is helping with preparations for the inauguration of independence.

The announcement further stated that Rear Admiral Gilchrist Stockton already has been appointed United States Embassy Attache at Manila.

Condition Of National Banks

The statement of condition of the National banks under the Comptroller's call of Dec. 31, 1945 has just been issued and is summarized below. For purposes of comparison, like details for previous calls back to and including March 20, 1945, are included.

CONDITION OF NATIONAL BANKS IN THE UNITED STATES ON MARCH 20, JUNE 30 AND DEC. 31, 1945
[In thousands of dollars]

	Mar. 20, 1945 (5,025 banks)	June 30, 1945 (5,021 banks)	Dec. 31, 1945 (5,023 banks)
ASSETS	$	$	$
Loans and discounts, including overdrafts	10,544,996	12,389,133	13,948,042
U. S. Government securities, direct obligations	43,993,856	47,230,307	51,459,960
Obligations guaranteed by U. S. Government		25,156	7,746
Obligations of States and political subdivisions	2,129,036	2,200,505	2,341,725
Other bonds, notes and debentures	1,372,440	1,422,677	1,656,865
Corporate stock, including stock of Federal Reserve banks	144,958	141,256	145,313
Total loans and securities	*58,185,286*	*63,409,034*	*69,559,651*
Cash, balances with other banks, including reserve balances, and cash items in process of collection	17,213,087	17,612,951	20,178,789
Bank premises owned, furniture and fixtures	511,702	503,793	495,105
Real estate owned other than bank premises	16,784	12,960	10,068
Investments and other assets indirectly representing bank premises or other real estate	47,643	45,937	46,384
Customers' liability on acceptances outstanding	30,144	27,191	41,943
Interest, commissions, rent and other income earned or accrued but not collected	103,925	135,460	147,946
Other assets	51,967	47,507	55,870
Total assets	76,160,538	81,794,833	90,535,756
LIABILITIES			
Demand deposits of individuals, partnerships and corporations	38,385,841	37,126,500	40,970,935
Time deposits of individuals, partnerships and corporations	13,444,701	14,315,450	15,960,051
Deposits of U. S. Government and postal savings	7,614,668	13,210,056	14,163,153
Deposits of States and political subdivisions	3,266,274	3,153,723	3,487,711
Deposits of banks	7,650,166	8,251,954	9,230,786
Other deposits (certified and cashiers' checks, etc.)	821,563	767,854	1,430,311
Total deposits	71,183,213	76,825,537	85,242,947
Demand deposits	*57,336 380*	*62,093,681*	*68,858,312*
Time deposits	*13,846,833*	*14,731,856*	*16,384,635*
Bills payable, rediscounts and other liabilities for borrowed money	130,389	5,209	77,969
Mortgages or other liens on bank premises and other real estate	64	59	89
Acceptances executed by or for account of reporting banks and outstanding	36,454	31,776	47,943
Interest, discount, rent and other income collected but not earned	26,333	26,482	31,484
Interest, taxes and other expenses accrued and unpaid	179,442	194,885	209,956
Other liabilities	218,068	238,332	269,631
Total liabilities	71,773,963	77,322,280	85,880,019
CAPITAL ACCOUNTS			
Capital stock (see memoranda below)	1,576,209	1,624,184	1,658,839
Surplus	1,833,980	1,875,277	2,011,403
Undivided profits	704,066	692,146	688,986
Reserves and retirement account for preferred stock	272,320	280,946	296,509
Total capital accounts	4,386,575	4,472,553	4,655,737
Total liabilities and capital accounts	76,160,538	81,794,833	90,535,756
MEMORANDA			
Par value of capital stock:	79,492	75,296	66,646
Class A preferred stock	4,875	4,360	3,748
Class B preferred stock	1,492,077	1,544,755	1,588,656
Common stock			
Total	1,576,444	1,624,411	1,659,050
Retirable value of preferred capital stock:	117,600	113,019	103,614
Class A preferred stock	6,138	5,608	4,939
Class B preferred stock			
Total	123,738	118,627	108,553
Pledged assets and securities loaned:			
U. S. Government obligations, direct and guaranteed, pledged to secure deposits and other liabilities	13,649,531	17,765,985	19,229,157
Other assets pledged to secure deposits and other liabilities, includ. notes and bills rediscounted and securities sold under repurchase agreement	365,052	351,843	353,866
Assets pledged to qualify for exercise of fiduciary or corporate powers and for purposes other than to secure liabilities	105,598	101,277	109,439
Securities loaned	14,948	6,931	4,384
Total	14,135,129	18,226,036	19,696,846
Secured liabilities:			
Deposits secured by pledged assets pursuant to requirements of law	10,500,141	15,923,659	17,269,578
Borrowings secured by pledged assets, including rediscounts and repurchase agreements	123,091	5,209	77,969
Other liabilities secured by pledged assets	10	7	10
Total	10,623,242	15,928,875	17,347,557
Demand deposits:			
Deposits of individuals, partnerships and corporations	38,385,841	37,126,500	40,970,935
Deposit of U. S. Government:			
War loan and Series E bond accounts	7,243,787	12,868,475	13,841,894
Other accounts	287,973	258,145	243,036
Deposits of States and political subdivisions	2,987,237	2,858,679	3,182,679
Deposits of banks in the United States (including private banks and American branches of foreign banks)	7,115,525	7,669,129	8,586,132
Deposits of banks in foreign countries (including balances of foreign branches of other American banks, but excluding amounts due to own foreign branches)	494,454	544,899	603,325
Certified and cashiers' checks (including dividend checks), letters of credit and travelers' checks sold for cash and amounts due to Federal Reserve banks (transit account)	821,563	767,854	1,430,311
Total demand deposits	57,336,380	62,093,681	68,858,312
Time deposits:			
Deposits of individuals, partnerships and corporations—			
Savings deposits		13,731,807	
Certificates of deposit		367,025	
Deposits accumulated for payment of personal loans	13,444,701	27,047	15,960,051
Christmas savings and similar accounts		100,174	
Open accounts		89,397	
Total	13,444,701	14,315,450	15,960,051
Deposits of U. S. Government	77,756	78,379	75,244
Postal savings deposits	5,152	5,057	2,979
Deposits of States and political subdivisions	279,037	295,044	305,032
Deposits of banks in the United States (including private banks and American branches of foreign banks)	36,635	33,874	35,527
Deposits of banks in foreign countries (including balances of foreign branches of other American banks, but excluding amounts due to own foreign branches)	3,552	4,052	5,802
Total time deposits	13,846,833	14,731,856	16,384,635
Ratio of required reserves to net demand plus time deposits:			
Total, Central Reserve city banks	18.95%	18.87%	18.82%
Total, Reserve city banks	16.77%	16.54%	16.47%
Total, Country banks	11.18%	10.99%	11.08%
Total, all member National banks	15.24%	15.04%	14.94%

From Washington Ahead of the News

(Continued from first page)

State Dean Acheson, when this does not seem to be either the disposition of Mr. Truman or of Secretary Byrnes. Braden's State Department adviser is a man who served in the Spanish Loyalist forces.

Several months ago, Byrnes brought up his South Carolina law partner to be Chief of Personnel in the Department. Jimmy thought and hoped this close friend could loyally straighten things out. Manifestly, he is over his depth.

Members of Congress, of his own party, have been impatiently pressing Jimmy to clean the Department out. Up to his neck in European affairs on the one hand, and being reluctant to start any public commotion just now as the elections approach, he has pleaded that he was handicapped because of the Civil Service status of the suspects. It was one thing, he has complained, to suspect a man of being a Commy or a fellow traveler, and another to be able to make a case sufficient to the Civil Service Commission. This is the relief the Senate has sought to give him, and it is assumed that the House will follow suite.

Even then it remains to be seen what Jimmy can, or is disposed to do.

There is no suggestion intended that Jimmy has any sympathy for these people. He hates to have a sensation in his Department.

You get the very definite impression, in fact, that Truman and practically all of his top-flight advisers would like nothing better than to kick all of the fellow travelers, not to mention the Communists, out of the Washington Government. With the exception of Wallace, Truman has replaced the Roosevelt fellow travelers in the Cabinet with his own selections. On the top level in the Executive Branch and in Congress, the middle-of-the-road Democrats are now unquestionably in the saddle.

But throughout the Government in the lower levels, in subordinate key positions, the bright young men of the Roosevelt school are still running rampant. Some of them are leaving, figuring that their careers have reached a peak. But most are still hanging on and fighting a vigorous rear-guard action, scuttling, circumventing and defying their chiefs.

Truman and advisers like Byrnes are loathe to take any drastic action because this crowd is part and parcel of the CIO. They work closely with this organization, which maintains a staff of smart intriguers and propagandists here. Bob Hannegan is vehemently opposed to any action against them because it will antagonize the CIO and Bob believies, undoubtedly rightly, that the alliance between the CIO and the Democrats is essential to success this November, and in '48.

But there is the pressure from Congress that something be done, countered by Byrnes and even Tom Clark that nothing can be done "at this time." The move by the Senate is to force something being done "at this time."

It is no secret around here that the pro-Russia school was seeking to impose the Soviet-inspired advisory commission over MacArthur in the administration of Japan and that Truman's military advisers had to move in forcibly. Just now the pro-Russia school in the State Department is under the heat of public opinion insofar as Russia is concerned, but in collateral matters such as being hard-boiled towards Franco and Peron, the school is still quite active.

May Construction Contrs. Attain New Peacetime High

F. W. Dodge Corporation reported on June 21 that construction contracts awarded in the 37 States east of the Rocky Mountains attained an all-time peacetime high in May. The total of all contracts was $952,418,000, which was exceeded only once before during the wartime peak of June 1942, when contracts totaled $1,190,-264,000. The previous highest peacetime volume was $667,097,-000, reported in May 1928.

Total volume of floor area involved in last month's contracts was 121,224,000 square feet, compared with 95,156,000 during May 1928, thus reflecting not only the dollar volume gain but also the physical volume gain over the last peacetime peak month.

Sharp gains over the previous month, and substantial gains over the volume of the corresponding month of last year were reported in non-residential, residential and heavy engineering construction.

Residential construction contracts totaled $463,600,000 during the month, compared with $370,-590,000 in April and $47,206,000 in May of last year. The total number of residential units to be provided in last month's contracts was 66,489, exclusive of dwelling accommodations in hotels and dormitories. This volume is more than double the number of units called for in contracts let during the first five months of last year.

Publicly-owned residential construction accounted for 3% of the dollar volume of May contracts, the remainder being classified as privately-owned construction.

The total volume of all contracts during the first five months of 1946 was $3,129,822,000 compared with $2,533,461,000 during the corresponding period of 1942 and $2,794,401,000 during the first five months of 1928.

Thomas S. Holden, President of F. W. Dodge Corporation, in releasing the May statistics, expressed the opinion that last month's contract record "presumably reflects greater optimism with respect to improvement in materials supply than conditions actually warrant."

In view of recent directives of the Civilian Production Administration regarding non-residential construction, Mr. Holden said that "it would not be surprising to see a reduction in contract letting during the next several months. A reduction, if it does take place," he declared, "should be viewed as a wholesome market corrective rather than as an occasion for alarm."

Sweden Said to Give Russia $250 Million Credit

A report issuing from Stockholm states that Sweden has agreed to extend to the Soviet Union a credit of $250,000,000 over a period of five years, according to an Associated Press dispatch. The same source, which is not named, reports that trade discussions recently took place at Moscow resulting in a pact for the exchange of $25,000,-000 worth of goods a year in both directions in addition to the credit. The agreement is one of the most comprehensive ever entered into by Sweden. It is added that:

"The negotiations in Moscow covered possible compensation for the estimated $25,000,000 frozen Swedish assets in Estonia, Latvia and Lithuania—all absorbed by Russia."

Ins. Head Endorses Nat'l Health Plan

Although declaring that such a project would put his company out of business, Alfred B. Lewis, President of the Union Casualty Company of New York told the Senate Labor Committee on June 18 that he was in favor of national health insurance, Associated Press Washington advices stated. "I am in favor of it," he said, "because I am impressed by the great need for this form of social security and by the prospects of continued and embittered industrial strife if this bill is not passed."

His reference was to a bill the committee is considering which is sponsored by Senators Wagner (D.-N. Y.) and Murray (D-Mont.) under which would be established a system of Government-paid medical and hospital services for the majority of the American people. The plan would be to finance it through a payroll tax similar to the present social security levies. Mr. Lewis, stating that his company's business is devoted exclusively to writing group health and accident insurance for unions, recalled the demand of John L. Lewis for a health and welfare fund for the United Mine Workers.

"If this bill had been on the statute books," Mr. Lewis told the committee, according to the Associated Press, "that particular bone of contention would not have existed. No doubt there would have been a strike nonetheless. But the negotiations on the matter of pay and other working conditions would not have been stalled as they were, and the strike certainly would have lasted only a short time."

Lumber Movement—Week Ended June 15, 1946

According to the National Lumber Manufacturers Association, lumber shipments of 411 mills reporting to the National Lumber Trade Barometer were 10.0% below production for the week ending June 15, 1946. In the same week new orders of these mills were 16.8% below production. Unfilled order files of the reporting mills amounted to 83% of stocks. For reporting softwood mills, unfilled orders are equivalent to 29 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 5.3%; orders by 3.9%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 16.4% above; shipments were 12.5% above; orders were 4.9% above.

Wallace to Go to Mexico

Secretary of Commerce, Henry Wallace, said on June 21, that he had accepted the invitation of General Manuel Avila Camacho, President of Mexico, to visit Mexico and attend the reading of the Presidential Annual Report on the State of the Mexican Union on Sept. 1, next. This is President Avila Camacho's last report to Congress. Secretary Wallace recalling that he was designated by the late President Roosevelt as a special ambassador to attend President Avila Camacho's inauguration in December, 1940, said:

"At that time I came to have a warm personal affection and a great admiration for President Avila Camacho's sterling qualities. For a long time I have wanted to revisit Mexico and see President Avila Camacho again. I am very glad to be able to accept his invitation to the September function."

Mr. Wallace expects to spend about a week in Mexico.

Peace Rests on Liberties, Truman Declares

The safety of individual liberties everywhere in the world is a prerequisite of genuine peace, President Truman declared June 14 in an address on the White House lawn after pinning the Congressional Medal of Honor on five war heroes. Recipients of the decoration were Marine Lieutenant John H. Leims of Chicago; Technical Sergeant Beauford T. Anderson of Soldiers Grove, Wisconsin; Technical Sergeant John Meagher of Jersey City; Sergeant Alejandro R. Ruiz of Barstow, Texas, and Private First Class Dirk J. Vlug of Grand Rapids, Michigan. The text of the President's remarks was reported in Associated Press Washington advices of June 14 as follows:

"It is always a pleasure to me on an occasion of this kind to be the President of the United States. It is one of the things that is really a pleasure to him. He doesn't have very many others.

"The greatest thing that can come to a man is to get the Congressional Medal of Honor. I think General Eisenhower and Admiral Nimitz, and everybody here, will agree with me in that statement.

"These young men have made a contribution to this great nation that is unequaled by any contribution any other man can make. They have shown that a peace-loving nation, when it is pushed to the point of resistance, can fight and defeat any dictator that ever walked.

"We are now fighting for peace. I want these young men to go back to their communities and do for peace just what they were willing and able to do to win a war for peace and prosperity.

"All these young men who have returned from the fighting are the welfare and interest of the country. They now must display the same ideals, the same bravery, the same sacrifice which they have made to win the greatest war in the history of the world.

"The war is only half won. We haven't won it until we have won a peace which makes the individual safe in his liberties the world over. We are going to win that peace, and the reason we are going to win that peace is because the vast majority of our young men and young women are made up of the same material as these young men on whom I have pinned these medals.

"Thank you very much."

Return Azores Airport

The return to Portugal by the United States of the former's strategic wartime airport in the Azores was made known in Associated Press advices from Washington on June 4, which noted, however, that the United States is retaining transit use of the airport for 18 months. Indicating that this was announced by Secretary of State Byrnes the Associated Press June 4 added:

His statement said the 18 months' use provision was made because of the maintenance of lines of communication with American occupation forces in Germany and Japan.

The British Government announced last night that it was returning its Azores base to Portugal with an 18 months' transit right.

Reports have long been current that the United States and Britain have been seeking peacetime air bases in the Azores. Mr. Byrnes denied these reports today, in a news conference.

Mr. Byrnes' announcement said: "Under a wartime agreement made with the Portuguese Government on Nov. 20, 1944, the United States and Portugal constructed at Santa Maria Island in the Azores a modern and complete airport which played an important role during World War II.

"With the expiration of this wartime agreement the airport has been returned to the Portuguese Government for conversion to peacetime uses.

"Meanwhile, however, the United States will be permitted the continued transit use of airports in the Azores for 18 months to maintain lines of communication with its occupation forces in Germany and Japan."

Mr. Byrnes told reporters he believes the American investment in the Azores base was about $10,000,000.

Secretary Byrnes covered these other points at his news conference:

1. He still hopes that the four occupying Powers in Germany will make an investigation of German demobilization as was proposed at the Foreign Ministers Conference in Paris.

2. The United States is making available 60,000 tons of coal to France for June from American military reserves in Germany. This is to help make up a deficit in French coal supplies. (This had previously been announced by the British as part of a general scheme to bolster French coal supplies.)

3. The United States has submitted proposals to Britain, France and Russia for a peace treaty for Austria in the form of a draft treaty. Mr. Byrnes would not disclose details.

4. Mr. Byrnes has no information to show that Britain intends to drop its requirements for disarming of belligerent factions in Palestine prior to admittance of 100,000 Jews proposed by an Anglo-American Palestine Commission.

May Freight Traffic Off

The volume of freight traffic, handled by Class I railroads in May, 1946, measured in ton-miles of revenue freight, amounted to 38 billion ton-miles, according to a preliminary estimate based on reports received from the railroads by the Association of American Railroads. The decrease under May, 1945, was about 40.8%.

Revenue ton-miles of service performed by Class I railroads in the first five months of 1946 was approximately 27% under 1945, and 28% less than the corresponding period two years ago.

The following table summarizes revenue ton-miles for the first five months of 1946 and 1945 (000 omitted):

	1946	1945	% Chge.
1st 3 mos..	145,696,827	176,[illegible]02	—17.5
Mo. of Apr.	*37,000,000	61,[illegible]6,982	—39.3
Mo. of May	†38,000,000	64,[illegible]52	—40.8
Tot. 5 mos.	220,700,000	302,[illegible]2,436	—27.0

*Revised estimate. †Preliminary estimate.

Taylor Remains at Vatican Until Mission Ended

Denying that he had ever consented to the "recall" of Myron C. Taylor, his personal representative at the Vatican, President Truman on June 14 told his news conference, according to special advices from Washington to the New York "Times," that it was his intention to have Mr. Taylor continue in the special post assigned to him until his mission had been completed. This mission the President defined as aiding in re-establishing world peace, stating that he had sent Mr. Taylor to Rome to help in making the peace, just as President Roosevelt had sent him to aid in keeping peace. The subject came up for discussion at the news conference after a group of Protestant churchmen, calling at the White House, had protested the present arrangement, a reference to which appeared in our issue of June 20, page 3394.

A Management Program

(Continued from first page)

Professional Women's Clubs, warned that labor strife and its attendant problems will be this country's chief concern for the next twenty-five years.

American management, united as never before on a program for industrial peace,* is asking for a program of much needed legislation to correct the balance and establish conditions necesary to make collective bargaining work. But we can ill afford to wait 25 years for the achievement of a sound national labor policy and much needed improvement in the relationship between labor and management in this country.

While management as well as many impartial observers are firmly convinced that the inequalities between labor and management under the law are largely responsible for the situation in which the nation now finds itself, and while corrective legislation is badly needed, the great majority of employers do not believe that legislation of itself is an all-inclusive and permanent solution of the problem of industrial relations.

We are apt to be misled by the headlines and by the more dramatic character of news regarding strikes, plant seizures, and heated debates in Congress. These do not constitute the fabric of industrial relations. The truth of the matter is that these events are only the surface manifestations, and that real labor-management relations consist of the day-to-day contact between employees and members of the management who carry on the processes of production in the shops and factories of the nation.

Industrial relations are, in the last analysis, personal relations. They consist of, and are influenced by, the relationship between the worker and his immediate superior, by the character of dealings between the foreman and the shop steward, by the day-to-day relations between a superintedent and his employees, and by the thoughts, attitudes, and extent of cooperation existing between the workers of a company and the heads of the business. It is such contacts as these that make up the grass roots of industrial relations, and the factor influencing these human relationships of individuals jointly engaged in the production processes at the plant level largely determine the state of relationships between management and labor throughout the nation.

Importance of Good Employee Relations

It is the importance of improving those relationships that I wish to discuss tonight, and to talk for a little while about some of the things employers are doing to improve industrial relations at the very foundation.

For the employer cannot wait until badly needed legislation is forthcoming, nor until the evolution of a national labor policy which in his opinion is essential to effective collective bargaining. These things take time, and in the meantime he and his workers must get on with the job of production. It is because of the widespread recognition among employers of the paramount importance of human relations within the plant and the day-to-day contacts on the job that managements have, in large measure, accepted the problems of relations with their employees as a major executive responsibility, have turned their attention to (1) the formulation of sound policies, and (2) the establishment of proper organization and adequate means for their effective administration.

This concentration upon the importance of sound personnel administration has been speeded by the knowledge that a worker's attitude toward his company and his business is more effectively determined and influenced by what the management does and the character of the treatment accorded him, than by public pronouncements of the chief executive.

I believe it must be recognized in all fairness that the great majority of employers are sincere in their intentions to deal fairly with their employees, and to establish such policies as will earn the employees' respect and will call forth maximum, voluntary cooperation of the workers. All too often, however, these good intentions at the top are not translated into action in the shop. This is the inevitable result of failure to provide clearly defined policies and an effective personnel administration to assure that they are carried out.

Labor-Management Relations

Where employees have clearly indicated their desire to bargain collectively and have exercised their right to select a bargaining agent, I believe that the vast majority of employers are making honest and sincere efforts to make the union-management relationship successful and to make collective bargaining work. It is simply good business, once the bargaining relationship has been entered into, for the management to put forth every possible effort to make it successful and to develop a relationship conducive to good will and friendly cooperation.

After all, an employer is in business to produce and sell goods at a profit—not to engage in a long and running fight against the union. While some members of the management group may have been prejudiced against organized labor (and the organizing tactics of some unions encourage such prejudices), it is to the employer's advantage to make sure that, as a matter of good business, all members of management accept sound collective bargaining as a company policy and learn to utilize it as an aid in improving employee relations and increasing production.

Negotiating Collective Bargaining Agreements

The negotiation and administration of a collective bargaining agreement is but a part, even though a very important part, of the larger field of employee relations.

The negotiation of a collective bargaining agreement requires on the part of both parties a sense of responsibility, good will, and a determination to make it work. Collective bargaining should be undertaken promptly and in good faith, and should follow orderly and peaceful procedures. Neither side should delay the commencement of contract negotiations looking toward a signed agreement for a defined period of time.

To begin with, each party should present to the other a general statement of its position, and the parties should then explore them jointly. Collective bargaining is a two-way street, and both parties bear a great deal of responsibility for negotiating actively and in good faith. Areas of agreement should be carefully sought. When agreement is reached, the parties should carefully define the scope and terms of the agreement, in order to avoid possibilities of subsequent misunderstanding.

It is the essence of good negotiations that both parties should avoid threats or actions which interfere with normal operations while negotiations are proceeding in good faith.

If the parties find themselves unable to reach agreement, they should seek the services of State or Federal mediators or conciliators, but only after they have made a conscientious effort to reach agreement by direct negotiation.

If both direct negotiation and conciliation have been conscientiously followed without reaching agreement, both parties should give careful consideration to the possibility of settling their dispute by submitting unresolved issues for final decision by voluntary arbitration. If arbitration is voluntarily undertaken, it is likely to be more successful if the parties first agree on the precise issues to be submitted to arbitration, and the factors or principles which are to govern the arbitrator in considering these issues.

It is an element of good faith negotiations that after all other efforts to arrive at agreement have failed, the party which finds it necessary to resort to strike or lockout should give the other party adequate notice of its intentions.

Even strike or lockout need not terminate a sound relationship between management and employees. It is quite probable that the same management and the same employees will continue in a cooperative relationship after the strike or lockout has been settled. In the heat of a work stoppage, the parties should bear in mind that they should do nothing which would injure their subsequent relationship or the success of the business. The issuance of heated, unrestrained public statements by either side is likely to be an obstacle both in the settlement of the work stoppage and in the subsequent relationship between the parties.

In negotiating their agreement, it is to the interest of both parties to provide an effective grievance procedure for the settlement of complaints that are bound to arise wherever men work together. Disputes concerning the interpretation or application of the terms of an agreement should be settled by voluntary arbitration, where necessary, rather than resort to strike or lockout. The grievance procedure should be designed to settle complaints promptly and satisfactorily, and the various steps of the grievance procedure should be set forth clearly, appeal procedures provided, and time limits set.

Every contract should provide for adequate negotiation period for renewal.

Management should give all possible aid and support to responsible union officials, and by careful training and assistance, insure that all levels of the shop management in their daily contacts with employees and union representatives promote good will and friendly relationships. In a small company such a policy is relatively easy to carry out, because of the ease of personal contact and communication between the management and employees. In a larger company, however, the successful administration of such a program calls for the same level of sound organization and administration as is required in other phases of the business.

Recognition of the importance of labor relations was well stated by Mr. Herman W. Steinkraus, President of the Bridgeport Brass Company, in a recent speech when he said:

"First and foremost, it is important that management, the top management, make its labor relations the first item on its program. Some of the difficulties we have today is because for too many years this has been delegated to someone down the line as a more or less unpleasant task, instead of the most important single task before management. Human relations are the most important problem in a company. You can have all the bricks and mortar and machinery you want, but if your human relations are wrong, you haven't goth much of a business. And management has too long delegated this job to someone else, and simply has got to put much more time and much more heart into that part of the job. I believe it is true that management will get the kind of leadership in its union that is required to handle the management. If the management is tough, it is apt to have a pretty tough union. If the management is fair, it will gradually win for itself a fair and square union leadership to work with."

Organizing for Good Employee Relations

I think it is a fair statement to make that today, as never before, American companies, large and small, are better equipped for sound personnel administration than they have ever been before. Regardless of whether there is collective bargaining or not, sound personnel administration is the key to satisfactory employee relations. Where a management has entered into collective bargaining relations, I believe that sound personnel administration is even more important, because without it no collective bargaining agreement can be effectively administered.

The National Association of Manufacturers is committed to the principle that efficient production is directly related to employee satisfaction on the job, and has been so impressed with the importance of improving the administration of personnel matters at the plant level that it has recently prepared what might be called a score card to assist management in appraising its policies and in adopting techniques which have proved effective on the basis of wide experience. This document, known as "Human Relations and Efficient Production," presents a complete picture of the policies and techniques which will be found in the better organized departments of personnel throughout American industry, and indicates the importance which management today is attaching to this phase of their executive responsibilities.

I should like to dwell for a few minutes on the functions and character of the modern personnel department. This department in most companies is referred to either as the Industrial Relations Department or the Personnel Department, and is headed by a Director or Personnel Manager who reports directly to the chief executive of the company. It is the department that is charged with the responsibility of assisting the management to carry out all of the management's policies and obligations with respect to their employees, including employment, induction, training, promotion, transfer, safety, wage and salary administration, all the various phases of relations with the union and the obligations of the collective bargaining agreement, various benefits and services, and other matters having to do directly with the relationship between the management and its employees.

The Personnel Director usually acts in a staff and advisory capacity, the responsibility for getting things done remaining with the various levels of line management. In a sense, the Personnel Director and his staff are there to assist all members of management, from the President of the company down to shop supervisor, to discharge their responsibilities in accordance with the policies of the company and in accordance with the spirit of the provisions of ... collective bargaining agreement wherever there is one.

During the early years of the establishment of the Personnel Departments in industry, there was considerable suspicion and conflict between this department and the management. As its functions and responsibilities have been clarified, and as personnel men have gained more experience operating as directors and assistants rather than bosses, coordination between the line and staff departments, particurly in matters of labor relations, has shown a steady improvement. Recognizing the paramount importance of this phase of the business, there is a growing tendency among companies to select their industrial relations and personnel men from among the most successful and best qualified of their manufacturing and sales executives. This has made for greater understanding on the part of the staff departments and a greater understanding and confidence between shop supervision and the personnel staff.

The growth in number and effectiveness of modern personnel organizations throughout industry is one of the most hopeful promises for a better era of industrial relations; and regardless of future developments in the field of national legislation or of industry-wide bargaining, the Personnel Manager and his staff will play a larger and larger role in the steady improvement of the employee-management relations throughout industry in this country.

The obstacles and handicaps which admittedly exist are enough to discourage the most optimistic employer and drive him to despair. In spite of these obstacles, American management is actively engaged in a long-range, constructive program looking toward continual improvement in employee-management relationships. This is a two-fold program, directed toward (1) improvement in the process of making and administering collective bargaining agreements to which I have previously referred, and (2) the organization and improvement of methods of personnel administration as a function of management in order to improve employee relations by act and deed.

In both aspects of this program, management can rely upon the alert and effective assistance of many national, state, and local associations. I represent one such association. Affiliated with the National Association of Manufacturers are hundreds of industry associations, state manufacturers associations, and local industrial relations groups, many of which are ably staffed to assist industry in its relations with employees and with organized labor.

General Considerations for Employers, Workers, and the Public

Looking ahead at the task of improving industrial relations in this country, I think we all need to do some honest soul searching and admit that all too often employers, labor leaders, and representatives of the public have personalized our views and opinions and have let prejudice and ill temper enter into a discussion of these problems. There has been too much name calling, and attempts have been made to fasten class labels on our opponents. Employers have been guilty of taking the organization of their employees as a personal affront or a rebuke; and, by the same token, criticism the conduct or actions of unions has been branded as anti-labor.

Progress in labor relations in the days that lie ahead will take all the patience, statesmanship, tolerance, and skill which those of us in labor, management, or government can muster. In this respect, we all have a stake and a contribution to make to this important field. And in this connection, I should like to suggest three principles to which we might all give earnest and serious consideration:

1. *Think of and deal with people as individuals, not in the mass*—Any philosophy of labor relations worthy of the name must be

based on the principle of the worth of the individual, whether as a worker or as a member of the union. The individual has certain rights, and the company's labor policy, as well as the union's constitution, must be judged in the light of the extent to which it safeguards the rights of the individual and promotes the individual's welfare and long-range economic interests. We must have in mind constantly that the boss is a human being, the shop steward is a human being, and, the union president is a human being. In particular, employers should bear in mind that their systems of personnel administration should be set up to deal with employees in all the various transactions as individuals, and that the way the individual is treated determines, in large measure, his opinions of the company and his will to cooperate. This is true both with respect to the company as well as the union.

During the war an officer of an international union visited the plant where I was working, and addressing a meeting of the local lodge, stressed the fact that the local union was not giving sufficient attention to selling itself to the individual workers, and that as a result of some of its practices it was making enemies for organized labor rather than friends. It took long years and bitter experience for the employer to learn that he, too, must give a lot of attention to selling himself to his employees.

2. *Do not impugn or question the sincerity of the other fellow's motives*—After all, there is no basic disagreement between us as to what we should like out of life. All of us want increased production, a better standard of living, and higher levels of security. We may honestly differ how we can best achieve these goals. An employer may be mistaken in some of his policies and the union may be tempted to feel he is antilabor, but confidence and goodwill are not advanced by questioning the employer's sincerity. The same thing is true with employees and their leaders. Regardless of the questions which may arise in our hearts, we must force ourselves to deal with one another on the assumption that we are all honest and that our motives are sincere.

An insight into the value of such an assumption may be gathered from Walter Lippmann's tribute to Dwight W. Morrow when Mr. Morrow died.

"He knew quite as well as the most sophisticated among us how often men, when left to their own devices will deceive themselves and others. Nevertheless, he proceeded on the assumption that they intended to be honest, and by the very force of the assumption made them justify him. That was, I believe, the inner secret of his marvelous successes as a negotiator. By divesting himself of all weapons but those which could promote understanding, his adversary had either to disarm too or feel wretchedly uncomfortable at having to be a deliberate villain. . . ."

In this respect I was very much impressed by the following statement made by Thomas L. Stokes in his column in the New York "World-Telegram" for Saturday, June 1:

"The American labor movement is filled with so many earnest, sincere people doing their difficult job day after day against the handicaps of selfishness and ignorance, that it is a pity they must share the odium that comes when a few too powerful go too far."

I believe sincerely that this this same statement could be made, inserting instead of the words, "American labor movement," the phrase, "American management," so that it would read:

"American management is filled with so many earnest, sincere people doing their difficult job day after day against the handicaps of selfishness and ignorance, that it is a pity they must share the odium that comes when a few too powerful go too far."

3. *Let us renew our faith in the democratic process as a solution to our problems*—It is extremely regrettable that so much of our industrial scene is marked by force, intimidation, and coercion and a violation of the basic rights of the individual. Regardless of blame for this situation, its very existence is a denial of the democratic process, and is one which, unless checked, is fraught with grave consequence to the American way of life. The will of the American people can prevail only if the processes of democracy are permitted to work. We must have confidence in the good judgment and common sense of the people to arrive in the long run at a fair and just solution of our problems.

Our greatest leaders in both industry and labor have been firm believers in voluntarism, the rights of the individual, and the basic, long-range justice of the mass of the people.

I can do no better than to quote from the wisdom of Samuel Gompers, the words inscribed on his statue in Washington:

"So long as we have held fast to voluntary principles and have been actuated and inspired by the spirit of service, we have sustained our forward progress and we have made our labor movement something to be respected and accorded a place in the councils of our republic. Where we have blundered into trying to force a policy or a decision, even though wise and right, we have impeded, if not interrupted, the realization of our own aims."

The way must be clear for the process of democracy to work in the labor-management relationships. Once this is done, I am confident that there is enough statemanship, common sense, and understanding in both industry and labor to work out practical solutions to minimize industrial strife and bring about a steady improvement in production and in the standards of living of the American people.

A Path to Peace in Industrial Disputes

(Continued from first page)

be performed for the benefit of the majority. It does not live on fears for tomorrow. It is only when some Americans lose sight of their mutual interest in the "American way" that fear for tomorrow permeates the very soul of our country.

Our mutuality of interest lies in the basic principle that the real foundation of prosperity is the prosperity of the mass of everyday Americans—the farming and working people of our country.

We can devise all kinds of efficient distribution methods, develop highly trained sales forces, make plans in every direction, but if we do not find amicable means of distributing more real income among all the people, then all our plans will plague us by their very futility. A good market consists of well-paid workers continuously employed.

I have heard businessmen express the fear that labor is "ganging-up" on business, and I have heard labor leaders express the fear that business is "ganging-up" on the unions. I say this: that if this be so, they are in fact not "ganging-up" on each other, but they are "ganging-up" on America, on the "American Way," on the American people, and on America's road to a fuller and more abundant life.

In labor contract negotiations, angry and uncompromising attitudes are dangerous and unwise. Resulting stoppage of work is detrimental to the general welfare. So long as the dead hand of yesterday's thinking rests upon the shoulders of both labor and management the forward progress of our country can only be halting.

Need Better Human Relations

What our country painfully needs today is the development of better human relations among its citizens. Business must revise its thinking with regard to labor—adopt a more modern attitude toward its workers. Likewise, labor must revise its thinking with regard to business and accept its obligations — yes, and its opportunities—for achieving industrial unity and national prosperity.

Labor has come a long way in its up-hill struggle for improvements of the labor contract. Gains have been made; advances which to our forefathers may have appeared beyond reasonable expectations are now generally accepted. Today labor's problem is not only that of retaining these gains, but that of integrating its common goal which all good Americans seek: a better America for all.

Labor must not over-simplify its thinking with regard to management and the complex nature of management's problems. It must make every effort to understand the complicated nature of the American economy. In other words, it must understand how the various parts of American life are related to one another—how they depend upon one another.

Neither labor nor management should wittingly or unwittingly drive the American people into distrusting classes. Nor must they foment the kinds of suspicions which have led in so many other countries to revolutions of the right or of the left.

Objectives of Both Business and Labor

The time has come when both business and labor must realize that the best protection for both of them is maximum production, maximum distribution and maximum consumption. Neither business nor labor can practice scarcity policies without ultimately bringing down on them the wrath of the public.

It must be understood that lasting benefits—benefits to both management and labor, and to the nation—lie in efficient mass production at low unit cost. Full national production means full employment for all and more goods for more people at constantly reduced prices.

Labor and management must realize that their most effective weapons—the "strike" and the "lock-out"—can be abused. While both weapons are legally recognized, their use imposes obligations. Both sides should constantly bear in mind that freedom and license must not be confused. These weapons should not be so used as to jeopardize the general welfare of our nation.

Management must free itself of the thought that labor is a commodity to be exploited. Conditions of employment must be such that the worker will willingly give forth his best efforts. It is management's responsibility to develop the incentives which will accomplish this end. Let it not be forgotten that the laborer does not work for cash alone—that the laborer's pay goes beyond the actual money enclosed in his envelope, and that it includes all the conditions under which he earns his livelihood.

The tools and machinery in shops and factories are inanimate things and of themselves create nothing; it is man working with these tools and machinery who brings forth from them the fullness of their creative powers.

That is the challenge: Business must come to the full realization that yesterday's methods of dealing with labor problems are not sufficient to the needs of the new pattern of our economy. Good business practice does not mean a blind worship of past methods.

The solution to the challenge facing labor and industry and the American public is not in passing another law or a dozen laws. America's progress along the road to a greater future will be slow indeed if it must hobble along solely on Government crutches. It has been a regrettable American practice recently to cry out for a new law when difficulty besets us.

There is still virtue in the old maxim that family fights should be kept within the family household. When husband and wife rush to the neighbors to settle their differences they have placed their hands on the knob of the door leading to the divorce court. When industry and labor find it seemingly impossible to resolve their differences, and catch the next plane to Washintgon, they have, by that very act of removing the seat of the difficulty miles away from where the action took place, increased the difficulties of an amicable solution.

Great and costly problems can often be solved if "reasonableness" and "tolerance" were but given an opportunity to use their good offices. No one, to my knowledge, has as yet found a satisfactory, workable, democratic solution to the labor-management problem. I do not profess to have found the answer; however, as Under Secretary of Commerce, what I am about to propose, although not a plan, in the sense of having been worked out to the most minute detail, is, nevertheless, the germ of an idea which I humbly submit to both management and labor for their serious consideration. Many of its features have already been tried — tried with success. If labor and management would call upon their best minds and after studying this proposal find that it contains merit, then they, working jointly, can develop the necessary operating detail.

An Industry-wide Stabilization Board

I propose that every industry create an industry-wide stabilization board. These boards should consist of an equal number of representatives from labor and management, with a paid impartial chairman selected by the two groups. These stabilization boards should be continuing bodies, and access to them should be had at any time by either labor or management.

Adequate funds for the support of each board should be furnished through equal contributions from labor and management, and should be sufficient to permit the impartial chairman an adequate staff which can keep him supplied with current data covering the industry and all its component parts. With such data at his finger tips at all times, the impartial chairman would be able to examine the facts of any dispute and justly determine their worth.

Moveover, the staff of the impartial chairman should be used in making a continuous study of the industry as a whole and its many complex problems. Such a continuing study is necessary if statistical data and hard facts are not to be perverted in their use. In addition, the impartial chairman would be in a position to evaluate each company case or issue not only on the basis of the immediate contentions, but its effect on the industry as a whole and the position of the industry as a part of the total economy.

Stabilization boards should not be hampered by delaying legal procedures. Each party must be free from those technicalities which so frequently impede the submission of evidence in ordinary courts of law.

The representatives of each side should be free to submit their contention in the most simple, direct language possible. This should be a necessary rule of industry stabilization boards. In many courts, matters at issue are often lost sight of through involvements in legal technicalities and wranglings over proper nomenclature or methods of procedure.

To make the decision of the chairman binding upon both parties, each party should post a bond that would be forfeited if it refused to accept his decision.

It should be pointed out that this in no way denies the union involved the legal redress which it now possesses, though I firmly believe that such recourse to courts of law and to bureaucratic interferences is largely eliminated when mature people recognize the effectiveness of reasonable methods.

This program, which I have outlined to you and which I strongly advocate, recognizes the fundamental right of workers to organize into unions of their own choosing, and to bargain collectively. This is in harmony with the basic law of the land and in harmony with the "American way." Recourse to the Board would be had only when grievances and contract negotiations on a union-company-management basis cannot be amicably concluded.

The institution of such stabilization boards will, I believe, offer the best possible means of amicably resolving differences of opinions before they become antagonisms. Often a serious strike results from a minor difference of opinion which has been permitted to magnify itself because there has not been an effective method which could resolve the matter immediately and amicably. In the absence of some such stabilization boards, the only recourse open either to management or to labor is embroilment in bureaucratic red tape and legislative reaction which, in a high majority of cases, ends in everybody losing and no one gaining.

As I envision it, the function of the stabilization board in each industry will not be remedial. It is preventive! It should not seek to cure yellow fever by subjecting the patient to prolonged medication. Rather, it should work to prevent an epidemic by eliminating the mosquitoes.

There is nothing radical and little that is novel in these proposals. They are merely the application of the "American Way," of the American system of democratic evolution to the problems of management and labor.

When the point is reached where differences between management and labor, in any industry, are resolved within the industry itself, then we have modern, advanced, management-labor relations.

It is a sign of maturity when men are capable of settling their differences in honest discussion of the facts. It is the immature—those trouble-makers in our society—that necessitate the establishment of protective laws and who today threaten the attainment of our great destiny.

In the face of a world torn by internal disputes, the "American way" of democratic processes should stand forth like a beacon. In every land people look to us for guidance. We can best help them by example, by showing them how we go about securing our own future—by ending our own internal strife. That future which all of us desire, that tomorrow which all of us seek to bequeath to our children, is ours to be had if we but will it so.

The State of Trade

(Continued from page 3535)

to conform more realistically with current conditions, and with the possibility that steel price control will be out in 1947, the old-time steel consumer, fearful of rising prices, would keep all orders on steel mill books as a hedge, this trade authority adds.

With respect to the scrap situation last week, it remained tighter than ever and was rapidly reaching the point where some extra effort would have to be made to increase the supply. While some scrap sources may have held back supplies hoping for an increase in ceiling prices, such tonnage was a small percent of the total. The shortage of scrap is due more to demand and lack of scrap reserves than to the price angle.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 87.2% of capacity for the week beginning June 24, compared with 84.2% one week ago, 43.6% one month ago and 91.5% one year ago. This represents an increase of 3.0 points or 3.6% from the previous week.

This week's operating rate is equivalent to 1,536,800 tons of steel ingots and castings and compares with 1,483,900 tons one week ago, 768,400 tons one month ago and 1,675,900 tons one year ago.

Electrical Production—The Edison Electric Institute reports that the output of electricity increased to 4,030,058,000 kwh. in the week ended June 15, 1946, from 3,920,444,000 kwh. in the preceding week. Output for the week ending June 15, 1946, was 7.3% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 174,500,000 kwh. in the week ended June 16, 1946, compared with 170,500,000 kwh. for the corresponding week of 1945, or an increase of 2.3%. Local distribution of electricity amounted to 170,900,000 kwh. compared with 168,400,000 kwh. for the corresponding week of last year, an increase of 1.5%.

Railroad Freight Loading—Car loadings of revenue freight for the week ended June 15, 1946, totaled 867,918 cars, the Association of American Railroads announced. This was an increase of 37,792 cars (or 4.6%) above the preceding week and 5,404 cars, or 0.6% below the corresponding week for 1945. Compared with the similar period of 1944, a decrease of 9,575 cars, or 1.1%, is shown.

Paper and Paperboard Production—Paper production in the United States for the week ending June 15 was 104% of mill capacity, unchanged from the preceding week, as against 91.5% in the like 1945 week, according to the American Paper & Pulp Association. Paperboard output for the current week as 98% against 96% in the preceding week and corresponding week a year ago.

Rise in Business Failures—Increasing in the week ending June 20, commercial and industrial failures numbered 25, reports Dun & Bradstreet, Inc. Two times as numerous as in the previous week when 12 were reported, concerns failing were also up sharply from the 17 occurring in the corresponding week of 1945.

Both large and small failures showed an upward trend; in fact, there were two times as many failures as a week ago in both size groups. Sixteen large concerns failed involving liabilities of $5,000 or more, as compared with 8 last week and a year ago. Small failures with losses under $5,000, at 9, were only half as numerous as the big failures, but showed a comparable upswing from the previous week's level.

Retailing accounted for 9 of the week's 16 failures. In this line and in wholesaling and construction, concerns failing about doubled the number last week. Among manufacturers and commercial service establishments, on the other hand, failures did not vary by more than one from either the previous week or from the same week last year. Compared with the 1945 record, failures in only two groups, wholesale trade and construction, trended up sharply.

Two Canadian failures were reported as compared with one both in the previous week and in the corresponding week of 1945.

Food Index at Highest Point Since Outbreak of War — In the sharpest advance recorded since the end of August, 1939, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose 14 cents, or 3.3%, over the previous figure to stand at $4.35 on June 18. Largely reflecting increased ceilings on butter and cheese, the current level of the index is higher than at any time since Sept. 25, 1920, when it stood at $4.45. Compared with last year's $4.11, the gain amounts to 5.8%. Steers as well as butter and cheese advanced during the week, while potatoes and lambs declined. The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale Commodity Price Index—Reflecting higher ceilings on butter and the combined uptrend in cotton values, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to new postwar heights in the past week. The index finished at 198.33 on June 18. This represented a gain of 1.3% over the 195.79 of a week previous, and of 11.8% over the comparative 1945 figure of 177.45.

Restrictions placed on trading in numerous grain futures by the Chicago Board of Trade reduced the volume of sales in the past week to extremely low levels. There was some activity in oats, on which trading in all deliveries was permitted, with prices at most times holding at permissible ceilings. All cash grain markets continued very tight despite the increased movement of new wheat in the Southwest and the fact that harvesting of other grains will begin within a few weeks. Aided by good rains, the condition of the new corn crop was said to be ideal with acreage believed to be larger than expected. The early wheat harvest in the Southwest has relieved the flour milling situation somewhat but flour stocks in the East continued to drop. Some improvement in butter and cheese supplies was expected, due to the long awaited OPA order, effective as of June 17, which increased wholesale prices 10 cents and 5 cents per pound, respectively. Although average hog weights are running higher than a year ago, market receipts of hogs have been considerably below last year's totals.

Despite somewhat irregular movements, domestic cotton prices surged upward to new high levels for the past 22 years. Due to limited offerings, volume of trading was only moderate but demand was strong under the impetus of price-control developments in Washington and expectations of further improvement in export trade. Also tending to lift values were the unlooked for heavy gain in the use of the staple last month and the belief that this year's crop, owing to early cool and wet weather, got off to a poor start. Average daily consumption of cotton during May rose to 38,500 bales, the highest since March, 1945, according to the New York Cotton Exchange Service Bureau. The May average compared with 37,400 in April, and 36,500 in May, 1945.

New clip Texas 12 and 8-month wools sold in large volume during the week, mostly for scouring and used by woolen mills. Fine delaine wools were also in demand and fair activity was noted in quarter-blood fleece wools. Desirable types of foreign wools continued scarce; practically all of the offerings made by importers were of types which topmakers and manufacturers did not customarily purchase. It was reported that an increasing volume of such wools was being reexported to Mexico, Holland, Belgium, and Switzerland. Appraisals of domestic wools for purchase by the CCC totaled 11,044,029 pounds in the week of June 7, bringing the aggregate appraisals for the season to date to 67,161,426 pounds, as against 78,839,416 to the same date last year.

Wholesale and Retail Trade—Gradual gains in the availability of many items coupled with strong consumer demand held total retail volume last week at the previous week's high level and well above that of the corresponding week a year ago. Dun & Bradstreet, Inc., reports in its survey of trade. With warmer weather in many sections of the country, buying of summer clothes and equipment increased considerably.

The dollar volume of food sales the past week was maintained at about 18% above that of the corresponding week a year ago. No easing was reported in the supply of meat, bread, flour, and butter. Sugar and canned fruits were also difficult to obtain. Bakery volume was maintained as pastries sold in large quantity. Fresh fruits and vegetables were plentiful and sales volume remained high.

Brisk buying of apparel goods sustained volume at a high level. Small quantities of men's suits appeared in the stores and sold quickly. Gains continued to be reported in the stocks of men's slacks, jackets, and sport suits. Demand was strong for men's neckwear, leather wallets, and hose for Father's Day gifts. All types of women's apparel sold well, with demand especially large for sun fashions, bathing suits and sportswear. Children's clothing was bought in large quantitl.

More stores reported slightly larger stocks of home furnishings and household appliances. Furniture demand remained strong, especially for bedroom, dining-room and garden sets. Rugs and other floor coverings were eagerly sought. The supply of auto accessories were up slightly and volume gains over a year ago were large. Camping and outdoor equipment moved well. Considerable purchasing of toiletries and stationery was noted.

Retail volume for the country was estimated to be from 22 to 26% above that of the corresponding week a year ago. Regional percentage increases were: New England 18 to 22, East 22 to 26, Middle West and Northwest 24 to 28, South 21 to 25, Southwest 16 to 20 and Pacific Coast 24 to 29.

Total volume of wholesale trade rose again last week and was estimated to be appreciably above the levels in the corresponding week a year ago. Receipts of goods were increasingly steadily in most lines and orders were filled as soon as possible.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended June 15, 1946, increased by 37% above the same period of last year. This compared with an increase of 39% in the preceding week. For the four weeks ended June 15, 1946, sales increased by 36% and for the year to date by 27%.

Retail trade in New York last week was brisk with department store volume running about 33% ahead of last year. Merchants reported a greater selectivity on the part of customers in the week and reports of a real buyers' strike were received by storekeepers with some skepticism. A heavy increase in retail advertising was noted over that of a year ago. Some slight decline was reflected in food sales resulting from the continuing shortages of meat, butter and bread.

Buying in the wholesale market continued active last week with the garment industry a feature. Notwithstanding the fact that purchases in this field did not come up to that of the preceding two weeks, sales reached a new high for this time of the year.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to June 15, 1946, increased 42% above the same period last year. This compared with an increase of 47% in the preceding week. For the four weeks ended June 15, 1946, sales rose by 40% and for the year to date 33%.

Commerce Dep't Reports Income Payments To Individuals in April, 1946

Income payments to individuals during April totaled $12,784,000,000, only 3% below the total for April a year ago, the Department of Commerce announced on June 14.

The Department's index of total income payments, the announcement continued, declined slightly during April to 233.5, as compared to the March index of 234.7. The index is adjusted for seasonal influences and uses as a base income payments 1935-39=100.

Since last October, the Department of Commerce said, income payments, which include wages and salaries, net incomes from unincorporated businesses, dividends and interest, net rents received by landlords and other types of individual income, have remained generally stable, the monthly indices varying within a range of 2%.

The high level of income payments is shown when April payments are converted to an annual basis. After seasonal adjustment, April income payments were equivalent to the annual rate of $156,900,000,000 which was only slightly below the record annual total of $160,800,000,000 for 1945.

In the period from July 1945, the last full month of war, through April 1946, the annual rate of pay of the armed forces declined from $17,200,000,000 to $6,600,000,000 and of factory payrolls from $37,700,000,000 to $32,100,000,000 said the Department of Commerce.

Yet despite these declines, the April 1946 annual rate of income payments was only 4% below the annual rate for July 1945.

During April 1946 as compared with March there were sharp curtailments in military payments—pay of the armed forces, mustering-out pay and family allowances—and also in payrolls of the bituminous coal industry, factors influencing the decline in the index.

However, these curtailments were largely offset by a rise in factory payrolls and larger disbursements to railroad employees, reflecting higher wage rates and partial payments of wage increases made retroactive to Jan. 1. Of secondary importance were increases in payrolls of the contract construction industry and in veterans' benefits and unemployment allowances, the Department of Commerce said.

Details of the April income payments are shown in the following table:

MONTHLY INCOME PAYMENTS TO INDIVIDUALS IN THE UNITED STATES

	April, 1946	March, 1946	April, 1945	1st 4 Months 1946	1st 4 Months 1945	1st 4 Months 1940
	Indexes (1935-39=100)					
Total income payments seasonally adjusted	233.5	234.7	242.3	233.4	243.4	110.5
Salaries and wages, seasonally adjusted	235.6	235.1	267.5	232.4	268.9	112.2
	(Millions of Dollars)					
Total income payments	12,784	13,199	13,194	51,098	52,980	24,204
Salaries and wages	8,425	8,360	9,560	33,005	38,187	15,781
Dividends and interest	880	1,386	808	3,913	3,578	2,856
Entrepreneurial income and net rents and royalties	2,488	2,402	2,276	9,914	9,047	4,551
Public assistance and other other relief	93	94	80	369	320	378
Other income payments	898	957	470	3,897	1,848	638

Mortgage Financing at Peak in April

The rising volume of residential construction, increased traffic in building lots and continued sharp competition among buyers for existing homes combined to boost the volume of mortgage financing to still another record level in April, said the Federal Home Loan Bank Administration in their monthly mortgage recording letter which continued: That the number of veterans has increased close to 4 million since the first of this year is only one of many factors which are accentuating the boom characteristics of the present market for rental properties as well as those for owner occupancy, the announcement of June 4 went on to say.

Nonfarm recordings of $20,000 or less aggregated more than $887,000,000 in April, a rise of 95% over the same month of last year and was considerably more than double the April volume of recordings in the best post-depression building year—1941.

With few exceptions, all types of lenders in all parts of the country are sharing in the increased volume of financing activity. Nationally, recordings by savings and loan associations, commercial banks and mutual savings banks have more than doubled since April of last year. The smallest gain, 52%, was reported for individual lenders.

Type of Mortgagee	Amounts in Millions: April 1946 Amount	April % Chg. from Apr., '45	1st 4 Months 1946 Amount	1st 4 Months % Chg. from '45	Percent of Total: April, 1946	1st 4 Months 1946	1st 4 Months 1945
Sav. & Loan Assns.	$315	+101	$1,031	+ 94	35.6	35.5	33.6
Insurance companies	34	+ 72	118	+ 59	3.8	4.0	4.7
Banks & trust cos.	214	+141	675	+127	24.1	23.2	18.8
Mutual savings banks	45	+186	128	+146	5.1	4.4	3.3
Individuals	180	+ 52	635	+ 49	20.3	21.9	26.9
Others	99	+ 77	319	+ 59	11.1	11.0	12.7
Total	$887	+ 95	$2,906	+ 84	100.0	100.0	100.0

Of the $2.9 billion of mortgages recorded during the first four months of this year, savings and loan associations accounted for 35.5%, commercial banks were second with 23.2%, and individuals 21.9%. In 1945, savings and loans accounted for 33.6% of the January-April total; commercial banks, 18.8%; and individuals, 26.9%.

Electric Output for Week Ended June 22, 1946 5.3% Below That for Same Week a Year Ago

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended June 22, 1946, was 4,129,163,000 kwh., which compares wih 4,358,277,000 kwh. in the corresponding week a year ago, and 4,030,058,000 kwh. in the week ended June 15, 1946. The output for the week ended June 22, 1946, was 5.3% below that of the same week in 1945.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

	Week Ended			
Major Geographical Divisions—	June 22	June 15	June 8	June 1
New England	1.2	§0.1	0.3	3.3
Middle Atlantic	3.9	3.7	4.4	5.0
Central Industrial	6.0	9.2	12.5	15.1
West Central	§2.0	1.0	4.0	9.4
Southern States	7.4	12.1	14.1	15.1
Rocky Mountain	§4.9	§7.2	0.5	§12.9
Pacific Coast	7.2	7.1	7.5	10.4
Total United States	5.3	7.3	9.4	11.0

§Increase.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1946	1945	% Change under 1945	1944	1932	1929
March 2	4,000,119	4,472,110	—10.6	4,464,686	1,538,452	1,702,570
March 9	3,952,539	4,446,136	—11.1	4,425,630	1,537,747	1,687,229
March 16	3,987,877	4,397,529	— 9.3	4,400,246	1,514,553	1,683,262
March 23	4,017,310	4,401,716	— 8.7	4,409,159	1,480,208	1,679,589
March 30	3,992,283	4,329,478	— 7.8	4,408,703	1,465,076	1,633,291
April 6	3,987,673	4,321,794	— 7.7	4,361,094	1,480,738	1,696,543
April 13	4,014,652	4,332,400	— 7.3	4,307,498	1,469,810	1,709,331
April 20	3,987,145	4,411,325	— 9.6	4,344,188	1,454,505	1,699,822
April 27	3,976,750	4,415,889	— 9.9	4,336,247	1,429,032	1,688,434
May 4	4,011,670	4,397,330	— 8.8	4,233,756	1,436,928	1,698,942
May 11	3,910,760	4,302,381	— 9.1	4,238,375	1,435,731	1,704,426
May 18	3,939,281	4,377,221	—10.0	4,245,678	1,425,151	1,705,460
May 25	3,941,865	4,329,605	— 9.0	4,291,750	1,381,452	1,615,085
June 1	3,741,256	4,203,502	—11.0	4,144,490	1,435,471	1,689,925
June 8	3,920,444	4,327,028	— 9.4	4,264,600	1,441,532	1,699,227
June 15	4,030,058	4,348,413	— 7.3	4,287,251	1,440,541	1,702,501
June 22	4,129,163	4,358,277	— 5.3	4,325,417	1,456,961	1,723,428
June 29		4,353,351		4,327,359	1,341,730	1,592,075

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended June 15, 1946, as estimated by the United States Bureau of Mines, was 12,140,000 net tons, a decrease of 640,000 tons, or 5.0%, from the preceding week. In the corresponding week of 1945, output amounted to 11,746,000 tons. From Jan. 1, to June 15, 1946, production was estimated at 210,410,000 net tons, a decrease of 23.2% when compared with the 274,049,000 tons produced during the period from Jan. 1 to June 16, 1945.

Production of Pennsylvania anthracite for the week ended June 15, 1946, as estimated by the Bureau of Mines, was 1,120,000 tons, an increase of 1,074,000 tons over the preceding week. When compared with the output in the corresponding week of 1945 there was a decrease of 162,000 tons, or 12.6%. The calendar year to date shows an increase of 12.5% when compared with the corresponding period of 1945.

The Bureau also announced that the estimated production of beehive coke in the United States for the week ended June 15, 1946, showed an increase of 44,800 tons when compared with the output for the week ended June 8, 1946; but was 39,500 tons less than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	June 15, 1946	†June 8, 1946	June 16, 1945	*June 15, 1946	June 16, 1945
Total, including mine fuel	12,140,000	12,780,000	11,746,000	210,410,000	274,049,000
Daily average	2,023,000	2,130,000	1,958,000	1,502,000	1,926,000

*Subject to current adjustment. †Revised.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. Anthracite—	‡June 15, 1946	§June 8, 1946	June 16, 1945	June 15, 1946	June 16, 1945	June 19, 1937
*Total incl. coll. fuel	1,120,000	46,000	1,282,000	26,993,000	23,998,000	26,935,000
†Commercial produc.	1,075,000	44,000	1,231,000	25,912,000	23,038,000	25,588,000
Beehive coke—						
United States total	91,700	36,900	131,200	1,396,600	2,775,800	1,732,100

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	June 8, 1946	June 1, 1946	June 9, 1945
Alabama	412,000		372,000
Alaska	6,000		5,000
Arkansas and Oklahoma	61,000		93,000
Colorado	108,000		125,000
Georgia and North Carolina	1,000		1,000
Illinois	1,538,000		1,433,000
Indiana	517,000		523,000
Iowa	41,000		37,000
Kansas and Missouri	94,000	DATA	126,000
Kentucky—Eastern	1,142,000		1,024,000
Kentucky—Western	442,000		377,000
Maryland	59,000		32,000
Michigan	2,000	NOT	2,000
Montana (bitum. & lignite)	70,000		96,000
New Mexico	30,000		28,000
North & South Dakoa (lignite)	35,000		30,000
Ohio	855,000	AVAILABLE	741,000
Pennsylvania (bituminous)	2,945,000		2,921,000
Tennessee	134,000		131,000
Texas (bituminous & lignite)	1,000		2,000
Utah	119,000		132,000
Virginia	413,000		372,000
Washington	15,000		28,000
†West Virginia—Southern	2,419,000		2,090,000
‡West Virginia—Northern	1,222,000		1,072,000
Wyoming	99,000		180,000
§Other Western States	*		*
Total bituminous & lignite	12,780,000	3,700,000	11,973,000

†Includes operations on the N. & W.; C. & O.: Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Statutory Debt Limitation as of April 30, 1946

The Treasury Department recently made public its monthly report showing that the face amount of public debt obligations issued under the Second Liberty Bond Act (as amended) outstanding on April 30, 1946 totaled $284,104,286,890, thus leaving the face amount of obligations which may be issued subject to the $300,000,000,000 statutory debt limitation at $15,895,713,110. In another table in the report, the Treasury indicates that from the total gross public debt and guaranteed obligations of $274,442,547,280 should be subtracted $978,322,125 (outstanding public debt obligations not subject to debt limitation), and to this figure should be added $10,640,061,735 (the unearned discount on U. S. Savings Bonds). Thus the grand total of public debt obligations outstanding as of April 30, 1946 amounted to $284,104,286,890.

The Treasury Department's announcement follows:

Section 21 of the Second Liberty Bond Act, as amended, provides that the face amount of obligations issued under authority of that Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), "shall not exceed in the aggregate $300,000,000,000 outstanding at any one time."

The folowing table shows the face amount of obligations outstanding and the face amount which can still be issued under this limitation:

Total face amount that may be outstanding at any one time			$300,000,000,000
Outstanding April 30, 1946—			
Obligations issued under Second Liberty Bond Act, as amended:			
Interest bearing:			
Bonds—			
Treasury	$121,177,390,350		
*Savings (maturity value)	59,467,937,900		
Depositary	436,360,000		
Adjusted service	500,157,956		
		$181,581,846,206	
Treasury notes	37,497,041,800		
Certificates of indebtedness	47,038,623,000		
Treasury bills	17,053,747,000		
		101,589,411,800	
Total interest-bearing		283,171,258,006	
Matured, interest-ceased		202,829,858	
Bearing no interest:			
War savings stamps	104,496,699		
Excess profits tax refund bonds	81,638,681		
		186,135,380	
Total		283,560,223,244	
Guaranteed obligations (not held by Treasury)—			
Interest-bearing:			
Debentures: FHA	41,066,086		
Demand obligations: CCC	492,214,135		
		533,280,221	
Matured, interest-ceased		10,783,425	
		544,063,646	
Grand total outstanding			284,104,286,890
Balance face amount of obligations issuable under above authority			15,895,713,110

RECONCILEMENT WITH STATEMENT OF THE PUBLIC DEBT—APRIL 30, 1946
(Daily Statement of the United States Treasury, May 1, 1946)

Outstanding April 30, 1946:		
Total gross public debt		273,898,483,634
Guaranteed obligations not owned by the Treasury		544,063,646
Total gross public debt and guaranteed obligations		274,442,547,280
Add—Unearned discount on U. S. Savings Bonds (difference between maturity value and current redemption value)	$10,640,061,735	
Deduct—other outstanding public debt obligations not subject to debt limitation	978,322,125	
		9,661,739,610
		284,104,286,890

*Approximate face or maturity value; current redemption value, $48,827,876,165.

Consumer Credit Outstanding in April

The Board of Governors of the Federal Reserve System announced on May 31 that consumer credit outstanding increased about 375 million dollars during April to an estimated total of 7,355 millions. About half of the current rise, the Board continued, occurred in charge accounts receivable, but the rate of increase in other types of indebtedness was higher than in other recent months. At the end of the month the total amount outstanding was approximately 34% above the year-ago level. The Board's announcement continued:

"Instalment loans outstanding increased by nearly 6% during April. The rise of 3% in single-payment loans was somewhat larger than in other recent months. By the end of April both instalment and single-payment loans outstanding were more than one-third above corresponding amounts of a year earlier.

"Instalment credit outstanding on automobile sales, which has increased steadily since June 1945, rose approximately 9% in April, or at about the same rate as in the preceding month. Other instalment sale credit, which ordinarily shows some reduction at this time of year, increased slightly, and was more than one-fifth above the level of last year.

"Charge accounts receivable increased further and at the end of the month were at a record high level. This type of indebtedness was more than 40% larger than a year ago."

CONSUMER CREDIT OUTSTAND$NG
(Short-term credit. In millions of dollars. Figures estimated)

		Increase or Decrease From	
	April 30, 1946	Mar. 31, 1946	Apr. 30, 1945
*Total consumer credit	7,355	+ 375	+1,872
Instalment sale credit:			
Automobile	289	+ 25	+ 105
Other	662	+ 22	+ 123
†Instalment loans	1,695	+ 89	+ 471
Charge accounts	2,146	+ 174	+ 640
Single-payment loans	1,752	+ 57	+ 464

*Includes service credit not shown separately.
†Includes repair and modernization loans.

British Food Stocks

Revealing one of Britain's hitherto most closely guarded secrets, Sir Ben Smith, Minister of Food, stated in answer to a question in Commons recently that his ministry held or controlled 3,806,000 tons of "food and feeding stuffs, as of May 1. Advices to this effect were contained in a wireless message to the New York "Times" from London by Michael L. Hoffman, which also had the following to say:

He asserted that he was unprepared to deplete the stocks for the benefit of European countries as it would mean cuts in consumption dangerous to the health and effciency of the British nation.

At the same time the Government announced that during the next five weeks it was sending 70,000 tons of barley and 80,000 tons of potatoes to the British zone of Germany to stave off starvation reported to be threatening Germans in the area.

R. R. Stokes, Labor member who asked the Minister for food figures, promptly served notice following his reply that in view of the fact that reported stocks were nearly twice the pre-war normal he would raise the question of further British contributions to food-short areas at an early date.

Official figures are slightly lower than the 4,000,000-ton figure that has been generally assumed here in discussions of the world food problem. It was stated by a Government spokesman tonight that full details of Britain's food holdings had been given regularly to the Combined Food Boards and the United States Government but that they had never been made public before.

The Minister's statement was in response to a question as to whether he had released 500,000 tons of food of all descriptions for Europe to tide starving countries over till the harvest. He replied:

"Since D-Day we've sent some 1,400,000 tons of foodstuffs to liberated Europe and this year we've substantially reduced our import requirements for the benefit of other claimants on world supplies."

"Stocks of food and feeding stuffs in MM or controlled by my ministry at the beginning of this month were 3,806,000 tons, about 125,000 tons less than a month earlier, and over 1,000,000 tons lower than the figure at the beginning of the year. About 750,000 tons of stocks at the beginning of this month consisted of coarse grains and animal-feeding stuffs. We've no reserve surplus to our processing and distributing requirements and I am not prepared to deplete our stocks further in the way suggested since this would mean more cuts in consumption which would seriously impair the health and efficiency of our nation."

Barley being sent to Germany is stated to be the amount due to be saved up to September this year as the result of reduced allocation to breweries. In announcing barley shipments British spokesman called attention to the fact that United States shipments to German during May were falling below the amount regarded as the absolute minimum which but for British action would have meant cuts in rations to as low as 500 calories daily.

Dawson, Wilson Resigning

White House announcements on June 18 stated that William Dawson had tendered his resignation as Ambassador to Uruguay, effective Aug. 31, and that Orme Wilson had resigned as Ambassador to Haiti, effective date not given. President Truman, the Associated Press advised from Washington, in accepting the resignations, expressed appreciation of the two men's services.

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus
June 25	124.08	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.25
24	124.08	118.80	123.34	121.25	118.20	112.56	116.02	119.20	121.25
22	Stock Exchange Closed								
21	124.17	118.80	123.34	121.25	118.40	112.56	116.02	119.20	121.46
20	124.17	118.80	123.56	121.25	118.40	112.56	116.02	119.20	121.46
19	124.17	118.80	123.56	121.25	118.40	112.75	116.02	119.20	121.46
18	124.20	118.80	123.56	121.46	118.40	112.56	116.02	119.20	121.46
17	124.17	118.80	123.56	121.46	118.40	112.56	116.02	119.20	121.46
15	Stock Exchange Closed								
14	124.17	118.80	123.34	121.25	118.40	112.56	116.02	119.00	121.25
13	124.17	118.80	123.34	121.25	118.40	112.56	116.08	119.00	121.25
12	124.11	118.80	123.34	121.25	118.40	112.56	116.02	119.00	121.25
11	124.02	118.80	123.13	121.46	118.40	112.56	116.02	119.20	121.25
10	124.02	118.80	123.13	121.46	118.40	112.56	116.02	119.00	121.25
8	Stock Exchange Closed								
7	124.02	118.80	123.13	121.25	118.40	112.56	116.02	119.00	121.25
6	124.02	118.80	123.13	121.25	118.40	112.56	116.02	119.00	121.04
5	124.02	118.60	123.13	121.25	118.20	112.56	116.02	119,00	121.04
4	124.02	116.60	122.92	121.46	118.20	112.56	116.22	119.00	121.04
3	124.02	118.80	123.13	121.46	118.40	112.56	116.22	119.00	121.04
1	Stock Exchange Closed								
May 31	123.99	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
24	123.99	118.80	123.13	121.46	118.40	112.56	116.22	119.00	121.04
17	124.14	118.60	122.71	121.46	118.20	112.56	116.20	119.00	121.04
10	123.83	118.80	122.92	121.46	118.60	112.75	116.41	119.20	121.04
3	124.49	119.00	122.92	121.67	118.60	113.12	116.61	119.41	121.04
Apr. 26	124.33	119.00	123.34	121.25	118.40	113.12	116.41	119.41	121.04
18	125.30	119.61	123.99	121.88	119.20	113.89	117.20	120.22	121.67
12	125.77	120.02	123.99	122.29	119.61	114.27	117.60	120.22	121.88
5	125.92	120.02	123.99	122.29	119.61	114.46	117.60	120.22	122.09
Mar. 29	125.61	119.82	123.99	122.29	119.41	114.27	117.40	120.22	122.09
22	125.74	119.82	123.77	122.29	119.41	114.08	117.20	120.22	122.09
15	125.80	119.82	123.77	122.29	119.20	114.27	117.00	120.22	122.29
8	125.86	119.82	123.56	122.50	119.20	114.46	116.80	120.43	122.29
1	125.84	119.61	123.56	121.88	119.20	114.27	116.61	120.22	122.09
Feb. 21	126.02	120.22	123.34	121.88	119.00	114.27	116.41	120.22	122.09
Jan. 25	126.28	119.00	123.12	121.25	119.00	113.31	115.63	119.41	122.09
High 1946	126.28	120.02	124.20	122.50	119.61	114.46	117.60	120.43	122.50
Low 1946	123.45	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63
1 Year Ago June 25, 1945	122.93	115.82	120.84	119.41	115.82	108.16	112.93	115.43	119.41
2 Years Ago June 24, 1944	120.19	112.37	118.40	117.00	112.00	102.80	106.04	113.89	117.40

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corpo-rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus
June 25	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.59
24	1.47	2.71	2.49	2.59	2.74	3.03	2.85	2.69	2.59
22	Stosk Exchange Closed								
21	1.46	2.71	2.49	2.59	2.73	3.03	2.85	2.69	2.58
20	1.46	2.71	2.48	2.59	2.73	3.03	2.85	2.69	2.58
19	1.46	2.71	2.48	2.59	2.73	3.02	2.85	2.69	2.58
18	1.47	2.71	2.48	2.58	2.73	3.03	2.85	2.69	2.58
17	1.46	2.71	2.48	2.58	2.73	3.03	2.85	2.69	2.58
15	Stock Exchange Closed								
14	1.46	2.71	2.49	2.59	2.73	3.03	2.85	2.70	2.59
13	1.46	2.71	2.49	2.59	2.73	3.03	2.85	2.70	2.59
12	1.47	2.71	2.49	2.59	2.73	3.03	2.85	2.70	2.59
11	1.47	2.71	2.50	2.58	2.73	3.03	2.85	2.69	2.59
10	1.47	2.71	2.50	2.58	2.73	3.03	2.85	2.70	2.59
8	Stock Exchange Closed								
7	1.47	2.71	2.50	2.59	2.73	3.03	2.85	2.70	2.59
6	1.47	2.71	2.50	2.59	2.73	3.03	2.85	2.70	2.60
5	1.47	2.72	2.50	2.59	2.74	3.03	2.85	2.70	2.60
4	1.47	2.72	2.51	2.58	2.74	3.03	2.84	2.70	2.60
3	1.47	2.71	2.50	2.58	2.73	3.03	2.84	2.70	2.60
1	Stock Exchange Closed								
May 31	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
24	1.48	2.71	2.50	2.58	2.73	3.03	2.84	2.70	2.60
17	1.47	2.72	2.52	2.58	2.74	3.03	2.84	2.70	2.60
10	1.49	2.71	2.51	2.58	2.72	3.02	2.83	2.69	2.60
3	1.44	2.70	2.51	2.57	2.72	3.00	2.82	2.68	2.60
Apr. 26	1.45	2.70	2.49	2.59	2.73	3.00	2.83	2.68	2.60
18	1.38	2.67	2.46	2.56	2.69	2.96	2.79	2.64	2.57
12	1.35	2.65	2.46	2.54	2.67	2.94	2.77	2.64	2.56
5	1.34	2.65	2.46	2.54	2.67	2.93	2.77	2.64	2.55
Mar. 29	1.36	2.66	2.46	2.54	2.68	2.94	2.78	2.64	2.55
22	1.35	2.66	2.47	2.54	2.68	2.95	2.79	2.64	2.55
15	1.34	2.66	2.47	2.54	2.69	2.94	2.80	2.64	2.54
8	1.34	2.66	2.48	2.53	2.69	2.93	2.81	2.63	2.54
1	1.34	2.67	2.48	2.56	2.69	2.94	2.82	2.64	2.55
Feb. 21	1.33	2.67	2.49	2.56	2.70	2.94	2.83	2.64	2.55
Jan. 25	1.31	2.70	2.50	2.59	2.70	2.99	2 87	2.68	2.55
High 1946	1.51	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62
Low 1946	1.31	2.65	2.45	2.53	2.67	2.93	2.77	2.63	2.53
1 Year Ago June 25, 1945	1.60	2.86	2.61	2.68	2.86	3.27	3.01	2.88	2.68
2 Years Ago June 24, 1944	1.78	3.04	2.73	2.80	3.06	3.58	3.39	2.96	2.78

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Nov. 22, 1945 issue of the "Chronicle" on page 2508.

Civil Engineering Construction Totals $105,784,000 for Week

Civil engineering construction volume in continental United States totals $105,784,000 for the week ending June 20, 1946 as reported "Engineering News-Record." This volume is 24% below the previous week, 153% above the corresponding week of last year and 15% below the previous four-week moving average. The report issued on June 20, went on to say:

Private construction this week, $58,974,000, is 32% below last week and 228% above the week last year. Public construction, $46,810,000, is 11% below last week and 96% greater than the week last year. State and municipal construction, $28,864,000, 3% below last week, is 137% above the 1945 week. Federal construction, $17,946,000, is 21% below last week and 53% above the week last year.

Total engineering construction for the 25-week period of 1946 records a cumulative total of $2,503,580,000, which is 202% above the total for a like period of 1945. On a cumulative basis, private construction in 1946 totals $1,594,729,000 which is 559% above that for 1945. Public construction, $908,851,000, is 55% greater than the cumulative total for the corresponding period of 1945, whereas state and municipal construction, $610,693,000, to date, is 401% above 1945. Federal construction, $298,158,000 dropped 26% below the 25-week total of 1945.

Civil engineering construction volume for the current week, last week and the 1945 week are:

	June 20, '46	June 13, '46	June 21, 45
Total U. S. Construction	$105,784,000	$138,911,000	$41,873,000
Private Construction	58,974,000	86,367,000	18,001,000
Public Construction	46,810,000	52,544,000	23,872,000
State and Municipal	28,864,000	29,842,000	12,173,000
Federal	17,946,000	22,702,000	11,699,000

In the classified construction groups, bridges, earthwork and drainage, public buildings and industrial buildings recorded gains this week over the previous week. Eight of the nine classes recorded gains this week over the 1945 weeks as follows: waterworks, sewerage, bridges, highways, earthwork and drainage, public buildings, industrial buildings and commercial buildings.

New Capital

New capital for construction purposes this week totals $16,253,000, and is made up of $12,578,000 in state and municipal bond sales and $3,675,000 in corporate security issues. New capital for the 25-week period of 1946 totals $653,417,000, 23% greater than the $532,885,000, reported for the corresponding period of 1945.

National Fertilizer Association Commodity Price Index Rises Sharply

The wholesale commodity price index compiled by The National Fertilizer Association and made public on June 24, rose sharply in the week ended June 22, 1946, advancing to 150.8 from 149.0 in the preceding week. The index, advancing to a new high level, registered the following percentage increases: 1.2% above the preceding week; 2.2% above a month ago, and 6.4% above a year ago. A month ago the index stood at 147.5, and a year ago at 141.6, all based on the 1935-1939 average as 100. The Association's report continued as follows:

Eight of the component groups of the index advanced during the latest week. The foods index rose substantially with higher prices for butter, cheese and dressed fowl much more than offsetting the lower quotations for potatoes. The farm products group advanced, reflecting higher prices for cotton, cattle, lambs and fluid milk. The fuels registered the largest increase during the week due to the rise in bituminous coal. The metals group was higher because of advances in the prices for brass sheets and rods, and copper sheets. The building materials group rose because of higher quotations for wire nails. The miscellaneous commodities group advanced due to higher prices for book paper. The textiles group again advanced. The rise in the fertilizer materials group reflected the advance in the prices for phosphate rock.

During the week 18 price series in the index advanced and 4 declined; in the preceding week 7 advanced and 1 declined; in the second preceding week 8 advanced and 3 declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jun 22, 1946	Preceding Week Jun 15, 1946	Month Ago May 25, 1946	Year Ago Jun 23, 1945
25.3	Foods	150.1	147.6	145.8	144.0
	Fats and Oils	152.7	147.4	147.4	145.2
	Cottonseed Oil	163.1	163.1	163.1	163.1
23.0	Farm Products	181.9	181.1	178.4	168.0
	Cotton	277.0	276.2	261.2	214.8
	Grains	190.3	190.3	192.7	166.1
	Livestock	164.6	163.5	161.8	161.6
17.3	Fuels	135.8	131.4	131.4	132.0
10.8	Miscellaneous commodities	139.4	138.6	138.6	133.7
8.2	Textiles	169.7	169.6	166.6	157.1
7.1	Metals	123.5	122.2	117.9	108.9
6.1	Building materials	168.3	168.1	167.8	153.8
1.3	Chemicals and drugs	127.5	127.5	127.5	125.9
.3	Fertilizer materials	118.9	118.2	118.2	118.3
.3	Fertilizers	119.8	119.8	119.8	119.9
.3	Farm machinery	105.8	105.8	105.8	104.8
100.0	All groups combined	150.8	149.0	147.5	141.6

*Indexes on 1926-1928 base were: June 22, 1946, 117.5; June 15, 1946, 116.1; and June 23, 1945, 110.3.

Workers' Earnings Up in April Says Board

All payroll factors indicating the well-being of manufacturing workers except actual hours worked showed continued recovery in April, according to The Conference Board's monthly survey of 25 industries, a report on which was issued on June 22.

Reconversion and strike-induced lows for nearly all these factors were reached in February the announcement said. While the March and April advances apparently indicate the beginning of a trend, the direct and indirect effects of the coal and other strikes may affect the movement for some months, according to the Conference Board; its summary of labor statistics for April, with comparisons with earlier dates, follows:

Hourly Earnings. Up 1.7% from March. At $1.165, the April average was 5.8% higher than April, 1945, 53.5% above January, 1941. 61.8% over August, 1939, and 97.5% higher than 1929. Skilled male workers, the majority, received an average of $1.295 in April.

Weekly Earnings. The April average of $46.90 was an increase of 1% over March, but 6.4% less than the previous April. It was 53.2% greater than January, 1941, 71.9% over August, 1939, and 64.3% above the 1929 average. Skilled male workers averaged $52.47.

Real Weekly Earnings. Average weekly earnings adjusted for cost of living were 0.6% higher in April than in March. They were 7.7% below April, 1945, but 23% higher than in January, 1941, 34.6% above August, 1939, and 53.4% higher than 1929.

Hours per Week. Average actual hours per week, at 40.4, were 0.3 hour, or 0.7% less than in March. They were 11% less than in April, 1945, slightly above January, 1941, 6.6% longer than August, 1939, but 16.4% shorter than the 1929 average. The wartime peak was 46.2 hours.

Man Hours Worked. Total man hours in manufacturing rose 4.2% in April, but were 24.1% below the level of April, 1945. They were the highest since last August, but lower than for all the months between January, 1941 and August, 1945. They were 5.3% less than the 1929 average.

Employment. Employment in the twenty-five manufacturing industries rose 5% over March, but was 14.6% less than in April, 1945. It was 25.8% below the peak of October-November, 1943, and was lower than for any month from March, 1941 through August, 1945. The employment level was 13.3% higher than the 1929 average.

Payrolls. Manufacturing payrolls were 6% higher in April than in March, but 20.2% smaller than in April, 1945. They were the highest since August, 1945, but lower than in the months from June, 1942, through August, 1945. The April figure was 56.5% higher than January, 1941, 129.9% above August, 1939, and 86% above the 1929 average.

Kellogg Pact Binding British Jurist Assets

The Kellogg-Briand Pact outlawing war is still in force according to international law, Sir Hartley Shawcross, British Attorney General, declared on June 19 in addressing Paris jurists in the Palais de Justice it was stated in a wireless message from Paris that day to the New York "Times", which further said:

Speaking of international law and the reasons for its failure, he said the pact of 1928 was still binding under international law. He added that the League of Nations was an "admirable mechanism" but the nations had neglected to make use of it.

"If between 1936 and 1939 the nations failed to prevent war," he said, "it was not because of any deficiency in the law. The war took place because of the inactivity of international police."

Freight Cars on Order Again Declined in May

The Class I railroads on June 1, 1946, had 39,483 new freight cars on order, the Association of American Railroads announced on June 21. This included 10,561 hopper, including 3,078 covered hoppers; 4,812 gondolas, 1,163 flat, 12,773 plain box, 6,194 automobile, 3,880 refrigerator, and 100 miscellaneous freight cars. New freight cars on order May 1, last, totaled 39,708 and on June 1, 1945, amounted to 31,283.

They also had 585 locomotives on order June 1, this year which included 63 steam, six electric and 516 Diesel locomotives. On June 1, last year, they had 504 locomotives on order, which included 119 steam, two electric and 383 Diesel.

The Class I railroads put 14,723 new freight cars in service in the first five months in 1946, which included 6,007 hopper including 1,063 covered hoppers, 2,454 gondolas, 47 refrigerator, 55 flat, 1,009 automobile box and 5,151 plain box freight cars. In the first five months of 1945 the railroads put in service 18,818 new freight cars.

They also put 101 new locomotives in service in the first five months this year, of which 39 were steam, and 62 were Diesel. New locomotives installed in the same period last year totaled 260 of which there were 43 steam, and 217 were Diesel.

Moodys Daily Commodity Index

Tuesday June 18, 1946	286.3
Wednesday, June 19	286.5
Thursday, June 20	286.1
Friday, June 21	286.4
Saturday June 22	286.6
Monday, June 24	286.8
Tuesday, June 25	287.6
Two weeks ago, June 11	285.2
Month ago, May 25	280.2
Year ago, June 23, 1945	256.8
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, June 24	286.8
Low, Jan. 2	264.7

Daily Average Crude Oil Production for Week Ended June 15, 1946 Increased 65,000 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended June 15, 1946 was 4,960,650 barrels, an increase of 65,000 barrels per day over the preceding week and a gain of 72,286 barrels per day over the corresponding week of 1945. The current figure was also 290,650 barrels in excess of the daily average figure of 4,670,000 barrels estimated by the United States Bureau of Mines as the requirement for the month of June, 1946. Daily production for the four weeks ended June 15, 1946, averaged 4,842,800 barrels. The Institute further reports as follows:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,799,000 barrels of crude oil daily and produced 14,510,000 barrels of gasoline; 2,068,000 barrels of kerosine; 5,447,000 barrels of distillate fuel, and 8,931,000 barrels of residual fuel oil during the week ended June 15, 1946; and had in storage at the end of the week 93,449,000 barrels of finished and unfinished gasoline; 13,611,000 barrels of kerosine; 35,582,000 barrels of distillate fuel, and 45,915,000 barrels of residual fuel oil.

The complete report for the week ended June 15, 1946 follows in detail.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements June	State Allowables Begin. June 1	Actual Production Week Ended June 15, 1946	Change from Previous Week	4 Weeks Ended June 15, 1946	Week Ended June 16, 1945
**New York-Penna.	48,200		50,350	+ 2,050	49,850	48,950
Florida	----		250	----	250	14
**West Virginia	8,400		8,800	+ 650	8,150	7,700
**Ohio—Southeast }	7,600		5,650	+ 700	5,550	5,400
Ohio—Other }			2,850	+ 550	2,600	2,700
Indiana	18,000		19,600	— 1,250	19,800	11,800
Illinois	210,000		207,800	— 600	209,050	200,250
Kentucky	31,000		29,900	— 1,100	30,600	29,600
Michigan	46,000		50,150	+ 2,750	47,800	49,450
Nebraska	800		†750	----	750	900
Kansas	255,000	260,000	†282,900	+ 43,450	261,750	275,150
Oklahoma	380,000	380,000	†383,150	— 1,850	379,900	386,350
Texas—						
District I			19,650	----	19,500	----
District II			155,650	----	143,500	----
District III			515,400	----	480,850	----
District IV			229,600	----	223,800	----
District V			43,950	----	41,150	----
East Texas			326,000	----	358,000	----
Other Dist. VI			107,350	----	105,150	----
District VII-B			32,400	----	31,950	----
District VII-C			28,450	----	27,750	----
District VIII			580,450	— 3,750	538,200	----
District IX			132,400	----	131,000	----
District X			86,450	----	86,350	----
Total Texas	2,050,000	‡2,293,092	2,257,750	— 3,750	2,187,200	2,180,450
North Louisiana			81,760	+ 700	80,700	69,050
Coastal Louisiana			296,100	+ 6,000	292,250	298,950
Total Louisiana	380,000	417,000	377,850	+ 6,700	372,950	368,000
Arkansas	79,000	78,268	74,150	— 50	73,650	78,700
Mississippi	57,000		63,450	— 700	63,850	52,000
Alabama	1,000		1,150	----	1,150	700
New Mexico—So. East }	98,000	106,000	{97,600	----	96,450	103,350
New Mexico—Other }			{ 500	+ 150	450	400
Wyoming	104,000		117,350	+ 5,950	114,700	107,850
Montana	22,000		21,800	+ 2,450	19,950	20,300
Colorado	26,000		31,800	— 1,000	31,100	11,550
California	848,000	§831,000	875,100	+ 9,900	865,300	946,800
Total United States	4,670,000		4,960,650	+ 65,000	4,842,800	4,888,364
**Pennsylvania Grade included above			64,800	+ 3,400	63,550	62,050

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of June. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. June 12, 1946

‡This is the net basic allowable as of June 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of those fields which were exempted entirely the entire state was ordered shut down for four days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 4 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JUNE 15, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Produc'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	761	90.7	1,726	22,894	5,432	10,955	8,306
Appalachian—								
District No. 1	76.3	96	67.1	310	2,466	266	453	203
District No. 2	84.7	54	87.1	184	1,025	67	147	191
Ind., Ill., Ky.	87.4	748	86.0	2,733	19,058	1,992	4,921	3,635
Okla., Kan., Mo.	78.3	389	82.9	1,336	8,137	827	2,117	1,271
Inland Texas	59.8	212	64.2	893	3,024	364	350	689
Texas Gulf Coast	89.2	1,206	98.4	3,694	14,140	2,332	5,821	5,315
Louisiana Gulf Coast	97.4	334	104.0	1,009	3,997	1,270	1,791	1,335
No. La. & Arkansas	55.9	57	45.2	149	1,841	204	406	191
Rocky Mountain—								
District No. 3	19.0	11	84.6	42	91	20	42	34
District No. 4	70.9	129	78.2	354	2,140	136	443	747
California	85.5	802	80.7	2,080	14,636	701	8,136	23,998
Total U. S. B. of M. basis June 15, 1946	85.8	4,799	86.3	14,510	*93,449	13,611	35,582	45,915
Total U. S. B. of M. basis June 8, 1946	85.8	4,827	86.8	13,864	94,146	13,013	33,958	45,938
U. S. B. of M. basis June 16, 1945		4,957		14,940	†87,105	8,562	30,282	39,808

*Includes unfinished gasoline stocks of 8,523,000 barrels. †Includes unfinished gasoline stocks of 11,773,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. In addition, there were produced 2,068,000 barrels of kerosine, 5,447,000 barrels of gas oil and distillate fuel oil and 8,931,000 barrels of residual fuel oil during the week ended June 15, 1946, which compares with 1,827,000 barrels, 5,441,000 barrels and 9,015,000 barrels, respectively, in the preceding week and 1,541,000 barrels, 5,440,000 barrels and 9,385,000 barrels, respectively, in the week ended June 16, 1945.

Wholesale Prices Up for Week Ended June 15, Labor Department Reports

"Primary market prices continued their advance during the week ended June 15, 1946, increasing 0.3%," it was announced on June 20 by the Bureau of Labor Statistics, U. S. Department of Labor which said that "at 111.8% of the 1926 average, the index of commodity prices in primary markets prepared by the Bureau was 5.5% higher than a year ago and 6.0% above the end of the war." The advices from the Bureau continued:

"Farm Products and Foods—The rise of 0.4% in the group index for farm products was due primarily to increases in prices of cattle, eggs, and milk. Prices of cows and steers increased as the small number received in the markets indicated continued holding-back by sellers. Lamb prices decreased with poor quality and poultry quotations declined seasonally. The demand for eggs, increased by the meat shortage, combined with seasonally lower production to raise egg prices. Lemon prices were higher, but were still under ceilings effective on May 27, and sweet potato prices increased seasonally. Prices of onions and potatoes declined with liberal supplies. Milk quotations moved up under the ceiling increase granted to producers June 7. Raw cotton quotations continued to climb. Farm products prices on the average were 1.5% higher than a month ago and 6.8% above a year ago.

"Sharp seasonal decreases in prices of fresh vegetables and smaller decreases for dressed poultry more than offset higher prices for bread and milk, bringing the group index for foods to a level 0.1% below a week ago. This was 0.3% higher than a month ago and 3.8% above a year earlier. The advance in bread prices was the result of weight reduction.

"Other Commodities—Prices of all commodities other than farm products and foods averaged 0.3% higher during the week and were 0.9% above a month ago and 5.2% higher than a year earlier. Farm machinery prices moved up from 3 to 10% and prices of brass mill products advanced following ceiling increases granted in accordance with the wage-price policy, to cover higher material costs and approved wage increases. Upward adjustments under the wage-price policy also were made for saws and alloy steel bars. Substantial price increases for red and white lead pigments followed higher ceilings allowed by OPA because of higher lead costs. Gasoline prices moved towards ceilings with increased demand. There were sharp advances in leather prices under increased ceilings to tanners effective June 7.

The following tables show (1) indexes for the past three weeks, for June 8, 1946 and June 16, 1945 and (2) percent changes in subgroup indexes from June 8, 1946 to June 15, 1946.

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS
FOR WEEK ENDED JUNE 15, 1946
(1926=100)

Commodity group—	6-15 1946	6-8 1946	6-1 1946	5-18 1946	6-16 1945	Percentage changes to June 15, 1946, from— 6-8 1946	5-18 1946	6-16 1945
All commodities	111.8	111.5	111.1	110.9	106.0	+0.3	+0.8	+5.5
Farm products	139.9	139.4	138.8	137.9	131.0	+0.4	+1.5	+6.8
Foods	111.8	111.9	111.8	111.5	107.7	—0.1	+0.3	+3.8
Hides and leather products	123.4	120.9	120.9	120.9	118.3	+2.1	+2.1	+4.3
Textile products	108.3	108.3	108.2	108.2	99.1	0	+0.1	+9.3
Fuel and lighting materials	86.9	86.9	86.7	87.0	84.5	0	—0.1	+2.8
Metal and metal products	111.0	110.5	109.5	109.3	104.8	+0.5	+1.6	+5.9
Building materials	128.5	128.2	127.8	126.9	117.3	+0.2	+1.3	+9.5
Chemicals and allied products	96.8	96.8	96.6	96.3	95.3	0	+0.5	+1.6
Housefurnishings goods	110.4	110.2	110.0	109.4	106.2	+0.2	+0.9	+4.9
Miscellaneous commodities	97.9	97.9	97.8	96.3	94.6	0	+1.7	+3.5
Raw materials	125.8	125.5	125.1	124.6	119.0	+0.2	+1.0	+5.7
Semi-manufactured articles	104.4	103.4	101.7	101.7	95.3	+1.0	+2.7	+9.5
Finished products	106.8	106.6	106.5	106.1	102.0	+0.2	+0.7	+4.7
All commodities other than farm products	105.6	105.4	105.1	104.8	100.6	+0.2	+0.8	+5.0
All commodities other than farm products and foods	104.9	104.6	104.3	104.0	99.7	+0.3	+0.9	+5.2

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
JUNE 8, 1946 TO JUNE 15, 1946

Increases			
Leather	8.4	Dairy Products	0.3
Agricultural Implements	5.2	Other Building Materials	0.3
Nonferrous Metals	2.2	Other Farm Products	0.2
Hides and Skins	1.4	Other Foods	0.2
Livestock and Poultry	0.8	Petroleum and Products	0.2
Cereal Products	0.7	Shoes	0.2
Paint and Paint Materials	0.6	Iron and Steel	0.1
Furnishings	0.4	Lumber	0.1
Decreases			
Fruits and Vegetables	1.4	Meats	0.3

The Labor Department included the following notation in its report:

NOTE—The Bureau of Labor Statistics' wholesale price data, for the most part represent prices in primary markets. In general, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week to week changes and should not be compared directly with the monthly index.

Red Cross Convention

The twenty-first convention of the American Red Cross opened at Convention Hall in Philadelphia on June 18, and the more than 4,000 delegates heard National Chairman Basil O'Connor read a message from President Truman in which the President declared, according to advices from the Associated Press, that the organization, despite its tremendous war contributions, can become an even greater force for unity among the peoples of the world. Said the President's message.

"This broader role provides new challenges and greater opportunities and along with them, heavier and more sobering responsibilities. In the continuance of our diligent work toward a just and enduring peace, it is very heartening to observe that however peoples may differ on political and economic issues, under the banner of the Red Cross they can unite for the betterment of mankind."

Mr. O'Connor, praising the work of the American organization during the war, asked, "Now we must face, indeed we are in the midst of, a reconversion period to meet the continuing responsibilities of our wartime services and the expansion of our traditional peacetime programs to meet more adequately the needs of all our people." Pointing out that the Red Cross is rendering service to approximately 1,500,000 men overseas, for whom it maintains 5,300 workers serving in 780 camps, hospitals and clubs, he added that the organization would "not be able to reduce to a total peacetime budget as soon as many expect us to."

Swope Re-Elected Pres. Health & Welfare Assn.

At the first annual meeting of the Trustees of the National Health & Welfare Retirement Association, Inc., Gerard Swope was re-elected Chairman of the Board, and Milton H. Glover of Hartford, Conn., President. Other officers who were re-elected for the coming year, it was announced June 19, were Gordon Rentschler, Treasurer, Mrs. Charles S. Brown, Henry Bruere, John O. Stubbs of Boston, Vice-Presidents, Hobart M. McPherson, Assistant Treasurer and Homer Wickenden, Secretary. Mr. Swope reported that since the National Health & Welfare Retirement Association started its operation on Oct. 1, 1945, contributions by employers and employees of hospitals, health and welfare agencies, are being received at the rate of $1,800,000 per year and already these employees are covered by $12,000,000 in death benefit protection. Ten death claims have been paid totaling $20,575. The enrollment in the plan is approaching 8,000.

The Retirement Association was established under the sponsorship of the national association of Community Chests and Councils, Inc., because of the need of a retirement system for workers in welfare organizations throughout the country who are not now covered by Social Security. In more than 125 communities, Mr. Swope said, the community chest has appropriated the funds necessary for their constituent organizations to join the plan. Mr. Swope announced that negotiations with the American Hospital Association have been completed and amendments to the By-Laws adopted to make the Plan available to the hospitals throughout the country belonging to that Association. According to John H. Hayes, President-elect of the American Hospital Association, who is a member of the Executive Committee of the Retirement Association, the hospitals of the country are at a great disadvantage in competing with industry for personnel because up until this time hospitals have had no Social Security or pension benefits to offer their employees. The business of the National Health and Welfare Retirement Association is managed by a board of 60 Trustees representing welfare interests in all parts of the country. Its affairs are under the supervision of the Superintendent of Insurance of the State of New York and all its pension and death benefits are reinsured under a participating agreement with the John Hancock Mutual Life Insurance Company of Boston.

Annual Meeting of Small Business Assn.

The National Small Business Men's Association will hold its annual national membership meeting at the Palmer House in Chicago July 22, 23 and 24, according to DeWitt Emery, President. Operators of small business enterprises throughout the United States are expected to attend the sessions, which will deal with government regulations, labor relations, taxes and other problems of present-day business. Harold O. McLain, President of the Railways Ice Company, Chicago, will be the principal speaker at the banquet to be held July 23 and Billy B. Van, Mayor of Newport, N. H., will speak at the luncheon meeting July 24. Other speakers will also be heard at various sessions of the convention, Mr. Emery said. As President of the Association, Mr. Emery will report on the organization's accomplishments and objectives.

Trading on New York Exchanges

The Securities and Exchange Commission made public on June 19, figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended June 1, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended June 1 (in round-lot transactions) totaled 2,539,686 shares, which amount was 15.22% of the total transactions on the Exchange of 8,345,280 shares. This compares with member trading during the week ended May 25 of 2,356,933 shares or 15.52% of the total trading of 7,593,460 shares.

On the New York Curb Exchange, member trading during the week ended June 1 amounted to 820,315 shares, or 15.13% of the total volume on that exchange of 2,710,220 shares. During the week ended May 25, trading for the account of Curb members of 690,985 shares was 14.16% of the total trading of 2,440,380 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)
WEEK ENDED JUNE 1, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	274,450	
‡Other sales	8,070,830	
Total sales	8,345,280	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	746,670	
Short sales	164,050	
‡Other sales	647,820	
Total sales	811,870	9.34
2. Other transactions initiated on the floor—		
Total purchases	124,480	
Short sales	20,400	
‡Other sales	151,050	
Total sales	171,450	1.77
3. Other transactions initiated off the floor—		
Total purchases	251,969	
Short sales	67,200	
‡Other sales	366,047	
Total sales	433,247	4.11
4. Total—		
Total purchases	1,123,119	
Short sales	251,650	
‡Other sales	1,164,917	
Total sales	1,416,567	15.22

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)
WEEK ENDED JUNE 1, 1946

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	74,655	
‡Other sales	2,635,565	
Total sales	2,710,220	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	259,690	
Short sales	21,345	
‡Other sales	222,465	
Total sales	243,810	9.29
2. Other transactions initiated on the floor—		
Total purchases	56,720	
Short sales	8,800	
‡Other sales	48,185	
Total sales	56,985	2.10
3. Other transactions initiated off the floor—		
Total purchases	61,860	
Short sales	31,250	
‡Other sales	110,000	
Total sales	141,250	3.74
4. Total—		
Total purchases	378,270	
Short sales	61,395	
‡Other sales	380,650	
Total sales	442,045	15.13
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	122,171	
Total purchases	122,171	
Total sales	138,637	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

President Vetoes War Prisoner Bill

President Truman on June 14 vetoed legislation providing for promotion of Navy, Marine Corps and Coast Guard personnel who had been prisoners of war, on the ground that the measure did not take into consideration the needs of the service, and that it was neither necessary nor in the national interest. The President said, according to Associated Press Washington advices: "The act does not include personnel of the Army and it is my considered belief that any such law should provide a common policy for prisoners of war of all of the armed forces of the United States." The press advices added:

"He said that the Secretaries of War and Navy made an agreement on March 31, 1945, establishing a common policy giving special consideration to the promotion of returned prisoners of war. The two departments are now promoting such personnel to the level which they presumably would have acquired had they not been captured.

"The act contemplates expenditure 'of large and indefinite sums' under retroactive features, he said. Army personnel who were taken prisoner far exceed those of the other services and if the bill's benefits were extended to them, he said, it would involve expenditures far in excess of those contemplated in the legislation."

Non-Ferrous Metals—Some Improvement in Supply Situation Looked for—Stockpiles Off

"E. & M. J Metal and Mineral Markets," in its issue of June 20, stated: "With strikes at most non-ferrous metal mines, mills, smelters, and refineries either settled or about to be settled, producers look for some improvement in the supply situation in copper and lead before the middle of July. Stockpiles of these metals have been reduced sharply since the beginning of the year and will continue to fall unless purchases from foreign sources are resumed in the near future Preliminary discussions in reference to buying copper and lead from foreign producers have been in progress, even though the question of obtaining necessary funds has not yet been settled. Utah Copper, A. S. & R. Co., and U. S. Smelting, Refining & Mining labor contracts have been ratified by local unions. The Phelps Dodge settlement is expected shortly." The publication further went on to say in part as follows:

Copper

Though more than 85,000 tons of copper has been released by the Office of Metals Reserve for June, it is doubtful whether more than one-third of this quantity will be shipped in the form of wirebars. However, copper producers believe that June probably marked the low point for the year in reference to these shapes and that July should bring some measure of relief to consumers.

The Government's stockpile of copper was placed at 352,818 tons as of May 31. This figure, obtained from official sources, was viewed as too high in market circles. A more realistic figure would have brought the total down to around 310,000 tons at the end of May and it may fall to 250,000 tons by the end of the current month.

Foreign prices ruled firm and averaged slightly higher than in the preceding week. The strike at Chile Copper has not yet been settled.

Lead

The supply-demand problem for July was discussed at a meeting between CPA officials and producers in Washington on June 21. Consumers believe that more metal will be available next month than the greatly reduced tonnages distributed in recent months, owing to the resumption of smelting and refining operations at plants that have been closed down by strikes for almost four months. CPA, according to the reports circulating here, plans to ask producers to set aside around 25% of their production for a "kitty" to take care of essential business.

Lead sales for the week amounted to 1,456 tons.

Prices in the foreign market continue to strengthen, and business being placed abroad indicates that sellers are obtaining the equivalent of 8¾c and 9c per pound. RFC has been negotiating for the purchase of foreign lead for third-quarter delivery.

The Government's stockpile of lead at the end of May was down to 39,600 tons, which compares with 40,926 tons a month previous.

Production of lead in Canada during April amounted to 15,432 tons, against 15,644 tons in March, and 14,086 tons in April last year, the Dominion Bureau of Statistics reports. During April Canada exported 13,723 tons of pig lead and 33 tons contained in ore.

Zinc

There were no new developments in regard to the price situation in zinc last week. The industry believes that OPA is in no hurry to act on revising the price structure, even though costs have risen and certain grades are in an extremely tight position. Production of Special High Grade is expected to decline because of unexpected work stoppages at mines in New Jersey.

A 30-day inventory limit has been established by CPA for Special High Grade and Prime Western zinc, according to a release of June 14. Die-cast alloy also was placed under the inventory curb. The grades of zinc named are in critically short supply, and a tendency to accumulate excessive inventories has become evident, according to CPA.

A strike at the Franklin and Ogdensburg mines of the New Jersey Zinc Co. was called June 17. Members of District 50, United Mine Workers, AFL, demand an 18½c an hour wage increase. About 1,000 workers are involved in the wage dispute.

Tin

The Government's stockpile of tin on May 31 totaled 55,579 tons, of which 24,734 tons was pig tin and 30,845 tons contained in ore and concentrate. The figures would indicate that the stockpile has decline only slightly since the first of the year. There were no developments in reference to the Bolivian tin concentrate contracts now up for renewal. It is believed in some quarters that imports of tin concentrates from the Dutch East Indies are likely as production in that area increases.

Production of tin concentrates in Malaya in the first quarter contained 802 longs tons of tin.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	—Electrolytic Copper— Dom. Refy.	Exp. Refy.	Straits Tin, New York	—Lead— New York	St. Louis	Zinc St. Louis
June 13	14.150	14.400	52.000	8.25	8.10	8.25
June 14	14.150	14.425	52.000	8.25	8.10	8.25
June 15	14.150	14.425	52.000	8.25	8.10	8.25
June 17	14.150	14.500	52.000	8.25	8.10	8.25
June 18	14.150	14.425	52.000	8.25	8.10	8.25
June 19	14.150	14.425	52.000	8.25	8.10	8.25
Average	14.150	14.433	52.000	8.25	8.10	8.25

Average prices for calendar week ended June 8 are: Domestic copper f.o.b. refinery, 14.150¢; export copper f.o.b. refinery 14.404¢; Straits tin, 52.000¢; New York lead, 8.250¢; St. Louis lead, 8.100¢; St. Louis zinc, 8.250¢; and silver, 70.750¢.

The above quotations are "E. & M. J. M. & M. M's" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.225c. per pound above the refinery basis.

Effective March 14, the export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b refinery equivalent, Atlantic seaboard. On f.a.s. transactions we deduct 0.075c. for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars For standard ingots an extra 0.05c. per pound is charged; for slabs 0.075c. up, and for cakes 0.125c. up, depending on weight and dimensions; for billets an extra 0.75c. up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c. per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-Grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c. per pound over the current market for Prime Western but not less than 1c. over the "E. & M. J." average for Prime Western for the previous month.

Quotations for lead reflect prices obtained for common lead only.

Forward metal was nominally as follows, in cents a pound:

	June	July	August
June 13	52.000	52.000	52.000
June 14	52.000	52.000	52.000
June 15	52.000	52.000	52.000
June 17	52.000	52.000	52.000
June 18	52.000	52.000	52.000
June 19	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c per pound.

Quicksilver

The market was greatly concerned last week over reports that Italian metal was offered for shipment at lower prices. This brought out slightly lower prices here, with spot and nearby quicksilver available at $99 to $102 per flask, a drop of $1. The first quarter statistics confirmed earlier reports that imports were light.

Silver

Market authorities look for a compromise on silver that eventually will raise the price to 90.5c an ounce. The provision inserted in pending legislation that would raise the price after two years to $1.29 is expected to be sidetracked for the present. The famine in silver continues, with consumers of silver nitrate claiming that they are suffering real hardship because of the dearth in supplies.

Fear that silver is moving toward another crisis exists in financial circles in London, particularly in reference to the future position of the metal in India. Pressure to raise the price in the United States is given as the reason for growing tension abroad.

The New York Official price of foreign silver continued at 70¾c. London was unchanged at 44d.

National Petroleum Council Established

J. A. Krug, Secretary of the Interior, on June 18 announced the establishment of the National Petroleum Council, an industry committee of 85 members who will serve without compensation. They are to advise Mr. Krug and the Oil and Gas Division of the department on oil and gas matters.

The Council membership includes 55 men who served at some time during the war on the Petroleum Industry War Council, the national industry advisory group which aided the Petroleum Administration for War in mobilizing the United Nations oil resources on a world-wide scale.

In selecting the membership of the Council, Mr. Krug stated that special attention was given to assuring a well balanced representation as between large and small companies in all parts of the country and from all phases of both oil and natural gas industries. He explained that members of the Council do not serve as representatives of their companies, but as representatives of the industry as a whole.

Mr. Krug pointed out that while many of the members are affiliated with the larger companies, the preponderance of representation is from the smaller, independent companies. "These small companies," he said, "in the aggregate form a large and most important segment of the petroleum industry and one of the largest classes of small business in the country."

Ralph K. Davies, formerly Deputy Petroleum Administrator, and now head of the Oil and Gas Division, in commenting upon the plans for the Council, said that it was contemplated that there would be established a series of national committees of the Council. This additional organization, he pointed out, will broaden further the scope of industry representation and will provide working groups of great value to Government.

Revenue Freight Car Loadings During Week Ended June 15, 1946 Increased 37,792 Cars

Loading of revenue freight for the week ended June 15, 1946 totaled 867,918 cars, the Association of American Railroads announced on June 20. This was a decrease below the corresponding week of 1945 of 5,404 cars, or 0.6%, and a decrease below the same week in 1944 of 9,575 cars or 1.1%.

Loading of revenue freight for the week of June 15, increased 37,792 cars or 4.6% above the preceding week.

Miscellaneous freight loading totaled 369,851 cars, an increase of 12,628 cars above the preceding week, but a decrease of 23,003 cars below the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 126,078 cars, a decrease of 820 cars below the preceding week, but an increase of 19,613 cars above the corresponding week in 1945.

Coal loading amounted to 187,287 cars, an increase of 13,996 cars above the preceding week and an increase of 14,193 cars above the corresponding week in 1945.

Grain and grain products loading totaled 45,538 cars, an increase of 2,032 cars above the preceding week, but a decrease of 7,383 cars below the corresponding week in 1945. In the Western Districts alone grain and grain products loading for the week of June 15 totaled 32,145 cars, an increase of 2,891 cars above the preceding week but a decrease of 4,664 cars below the corresponding week in 1945.

Livestock loading amounted to 13,660 cars, a decrease of 1,519 cars below the preceding week and a decrease of 1,023 cars below the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of June 15 totaled 10,064 cars, a decrease of 1,298 cars below the preceding week, and a decrease of 362 cars below the corresponding week in 1945.

Forest products loading totaled 47,822 cars, an increase of 687 cars above the preceding week and an increase of 2,446 cars above the corresponding week in 1945.

Ore loading amounted to 66,375 cars, an increase of 7,882 cars above the preceding week but a decrease of 8,449 cars below the corresponding week in 1945.

Coke loading amounted to 11,307 cars, an increase of 2,906 cars above the preceding week, but a decrease of 1,798 cars below the corresponding week in 1945.

All districts reported decreases compared with the corresponding week in 1945 except Eastern, Pocahontas and Southern and all reported decreases compared with 1944 except Pocahontas, Southern and Centralwestern.

	1946	1945	1944
4 weeks of January	2,883,620	3,003,655	3,158,700
4 weeks of February	2,866,710	3,052,487	3,154,116
5 weeks of March	3,982,229	4,022,088	3,916,037
4 weeks of April	2,604,552	3,377,335	3,275,846
4 weeks of May	2,616,067	3,456,465	3,441,616
Week of June 1	626,885	837,886	810,698
Week of June 8	830,126	884,658	873,174
Week of June 15	867,918	873,322	877,493
Total	17,278,107	19,507,896	19,507,680

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended June 15, 1946. During this period 61 roads reported gains over the week ended June 16, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED JUNE 15

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	388	306	273	1,447	1,544
Bangor & Aroostook	1,500	1,303	1,074	407	335
Boston & Maine	7,911	6,988	6,913	12,118	13,974
Chicago, Indianapolis & Louisville	1,226	954	1,390	1,927	1,882
Central Indiana	25	40	24	35	45
Central Vermont	1,047	1,017	1,117	2,386	2,388
Delaware & Hudson	4,828	4,949	4,957	11,029	14,205
Delaware, Lackawanna & Western	8,097	8,048	8,061	9,445	10,962
Detroit & Mackinac	401	247	286	211	152
Detroit, Toledo & Ironton	1,402	1,731	1,780	1,010	1,178
Detroit & Toledo Shore Line	389	414	338	3,012	2,595
Erie	11,524	12,763	13,203	14,551	17,136
Grand Trunk Western	4,739	4,037	3,928	7,623	8,339
Lehigh & Hudson River	179	197	209	2,235	3,035
Lehigh & New England	2,314	2,260	2,225	1,706	1,675
Lehigh Valley	8,576	8,405	9,208	7,308	12,156
Maine Central	2,790	2,480	2,420	2,866	2,962
Monongahela	5,169	6,383	7,647	290	311
Montour	2,777	2,904	2,644	44	26
New York Central Lines	52,661	50,377	50,830	48,785	53,449
N. Y., N. H. & Hartford	10,774	10,084	[illegible]	[illegible]	[illegible]
New York, Ontario & Western	982	1,049	1,390	1,839	3,587
New York, Chicago & St. Louis	6,728	6,241	6,672	13,276	15,334
N. Y., Susquehanna & Western	368	382	419	1,893	2,211
Pittsburgh & Lake Erie	5,882	7,222	7,755	8,834	9,584
Pere Marquette	5,783	5,147	5,016	6,682	8,432
Pittsburgh & Shawmut	1,228	889	1,011	31	26
Pittsburg, Shawmut & North	370	347	339	101	219
Pittsburgh & West Virginia	1,026	1,083	1,440	2,430	4,174
Rutland	428	366	373	1,186	1,214
Wabash	6,116	6,238	5,685	11,073	12,239
Wheeling & Lake Erie	5,752	5,723	6,087	4,205	4,650
Total	163,380	160,564	164,012	193,467	226,844
Allegheny District—					
Akron, Canton & Youngstown	498	734	698	1,098	1,344
Baltimore & Ohio	41,225	46,924	47,722	23,300	29,005
Bessemer & Lake Erie	5,041	5,418	7,058	1,753	2,143
Cambria & Indiana	1,537	1,313	1,659	17	15
Central R. R. of New Jersey	6,546	6,897	6,712	15,675	20,100
Cornwall	438	468	531	52	54
Cumberland & Pennsylvania	312	171	246	9	16
Ligonier Valley	43	104	178	9	67
Long Island	1,555	1,676	1,765	4,678	4,500
Penn-Reading Seashore Lines	1,695	1,831	1,744	1,714	2,293
Pennsylvania System	85,412	88,280	88,852	67,848	63,613
Reading Co.	14,821	15,238	15,304	25,553	27,055
Union (Pittsburgh)	13,405	16,345	19,562	5,289	6,850
Western Maryland	4,915	3,900	4,064	11,167	12,865
Total	177,443	189,299	196,095	158,162	169,920
Pocahontas District—					
Chesapeake & Ohio	36,240	28,698	28,864	17,090	14,747
Norfolk & Western	26,755	21,378	22,282	7,171	7,425
Virginian	5,475	4,437	4,542	1,594	2,456
Total	68,470	54,513	55,688	25,855	24,628

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Southern District—					
Alabama, Tennessee & Northern	474	437	254	153	321
Atl. & W. P.—W. R. R. of Ala.	825	798	719	2,091	2,404
Atlanta, Birmingham & Coast	†	†	845	†	†
Atlantic Coast Line	15,401	12,158	12,524	8,636	10,855
Central of Georgia	4,175	3,831	3,674	4,503	4,841
Charleston & Western Carolina	436	401	419	1,669	1,674
Clinchfield	1,636	1,724	1,803	3,624	2,969
Columbus & Greenville	356	258	243	294	248
Durham & Southern	102	105	124	1,008	557
Florida East Coast	1,073	1,000	983	1,390	1,049
Gainesville Midland	95	50	52	82	132
Georgia	1,200	1,211	1,343	2,624	2,456
Georgia & Florida	403	416	403	828	789
Gulf, Mobile & Ohio	4,956	5,084	4,036	3,690	4,341
Illinois Central System	27,464	27,843	28,576	14,860	16,775
Louisville & Nashville	29,190	26,529	25,252	9,612	12,236
Macon, Dublin & Savannah	200	211	165	990	1,023
Mississippi Central	428	348	216	253	452
Nashville, Chattanooga & St. L.	3,473	3,401	3,180	3,955	4,616
Norfolk Southern	2,263	2,121	1,342	1,382	1,596
Piedmont Northern	454	406	377	1,410	1,260
Richmond, Fred. & Potomac	426	579	426	10,859	9,659
Seaboard Air Line	11,626	10,277	9,835	7,320	7,749
Southern System	27,199	25,151	22,608	24,323	24,645
Tennessee Central	741	543	687	757	734
Winston-Salem Southbound	149	129	130	1,137	1,097
Total	134,745	125,011	120,316	107,450	114,478
Northwestern District—					
Chicago & North Western	20,482	19,050	20,189	13,466	15,296
Chicago Great Western	2,186	2,333	2,264	2,972	3,393
Chicago, Milw., St. P. & Pac.	20,018	22,174	21,105	10,695	11,192
Chicago, St. Paul, Minn. & Omaha	3,333	3,671	3,365	3,975	3,943
Duluth, Missabe & Iron Range	22,683	27,544	27,881	330	600
Duluth, South Shore & Atlantic	789	1,177	1,023	540	521
Elgin, Joliet & Eastern	7,253	8,531	8,773	8,691	9,740
Ft. Dodge, Des Moines & South	458	381	434	135	115
Great Northern	20,927	21,996	22,954	6,763	8,908
Green Bay & Western	488	402	492	843	979
Lake Superior & Ishpeming	2,243	2,522	2,673	80	71
Minneapolis & St. Louis	1,607	2,031	2,150	2,067	2,604
Minn., St. Paul & S. S. M.	7,249	8,010	6,755	3,542	3,117
Northern Pacific	10,111	11,581	11,114	5,380	7,187
Spokane International	130	310	147	537	572
Spokane, Portland & Seattle	2,607	2,973	2,975	2,529	4,350
Total	122,564	134,506	134,294	62,545	72,588
Central Western District—					
Atch., Top. & Santa Fe System	29,545	29,103	27,233	10,054	14,937
Alton	2,675	3,904	3,461	3,401	3,995
Bingham & Garfield	5	356	455	9	85
Chicago, Burlington & Quincy	18,727	19,492	18,736	10,098	12,806
Chicago & Illinois Midland	3,431	3,239	3,098	724	878
Chicago, Rock Island & Pacific	14,693	13,311	12,142	13,525	14,368
Chicago & Eastern Illinois	3,114	2,920	2,686	3,238	4,805
Colorado & Southern	573	627	546	1,696	2,576
Denver & Rio Grande Western	2,612	3,621	3,629	4,088	7,910
Denver & Salt Lake	636	525	730	64	61
Fort Worth & Denver City	1,877	1,589	1,096	1,384	2,136
Illinois Terminal	1,929	2,519	2,270	1,671	1,987
Missouri-Illinois	1,134	1,148	1,176	447	552
Nevada Northern	1,466	1,444	1,779	122	111
North Western Pacific	739	778	940	603	643
Peoria & Pekin Union	0	3	0	0	0
Southern Pacific (Pacific)	33,972	34,624	33,647	10,217	15,309
Toledo, Peoria & Western	5	405	317	2	2,382
Union Pacific System	13,498	15,665	14,405	15,090	19,980
Utah	534	620	526	6	7
Western Pacific	1,997	2,124	2,124	3,057	5,201
Total	133,162	138,017	130,996	79,496	110,699
Southwestern District—					
Burlington-Rock Island	267	334	423	729	995
Gulf Coast Lines	4,013	5,098	5,617	2,779	2,265
International-Great Northern	2,470	3,318	3,200	5,194	3,842
‡K. O. & G., M. V. & O. C.-A.-A.	1,262	1,111	891	1,773	2,030
Kansas City Southern	3,404	4,959	6,213	3,029	3,040
Louisiana & Arkansas	2,596	3,309	3,884	2,119	2,851
Litchfield & Madison	316	295	246	1,400	1,593
Missouri & Arkansas	193	125	138	344	304
Missouri-Kansas-Texas Lines	6,226	5,875	7,002	4,629	5,433
Missouri Pacific	17,223	16,672	16,591	15,265	18,425
Quanah Acme & Pacific	386	138	65	198	221
St. Louis-San Francisco	11,175	9,784	8,906	7,127	8,731
St. Louis-Southwestern	3,212	3,452	3,499	5,369	6,637
Texas & New Orleans	9,255	10,163	14,317	5,429	5,746
Texas & Pacific	5,847	5,615	4,929	7,634	8,330
Wichita Falls & Southern	278	131	141	77	90
Weatherford M. W. & N. W.	31	33	30	13	29
Total	68,154	71,412	76,092	63,108	70,562

†Included in Atlantic Coast Line RR. ‡Includes Midland Valley Ry. and Kansas, Oklahoma & Gulf Ry. only in 1944 and also Oklahoma City-Ada-Atoka Ry. in 1945 and 1946.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1946—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
Mar. 2	198,985	161,122	533,794	98	93
Mar. 9	178,443	158,229	551,081	99	94
Mar. 16	157,227	167,243	538,572	100	94
Mar. 23	169,355	164,267	539,100	99	95
Mar. 30	183,509	167,541	549,928	100	95
April 6	225,192	164,562	607,799	99	95
April 13	154,235	169,627	591,661	101	96
April 20	143,946	167,627	566,152	101	96
Apr. 27	148,161	156,291	553,274	95	96
May 4	229,120	174,501	605,288	101	96
May 11	155,747	165,911	591,206	97	96
May 18	159,370	162,563	595,427	92	96
May 25	131,133	152,203	565,225	93	96
June 1	142,001	139,693	567,068	85	96
June 8	186,073	160,607	591,496	96	96
June 15	136,211	161,240	567,087	98	96

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Senate Approves Cent. Valley Power Lines

By a vote of 36 to 31 the Senate on June 20 approved a grant of $4,572,000 to the Reclamation Bureau for construction of a government-owned power distribution system in the Califronia Central Valley. The action, which overrules a Senate Appropriations Committee proposal to forbid construction of any lines south of a 25-mile link from Shasta Dam to Shasta Sub-station, increases funds in the Interior Department appropriation bill for the Central Valley reclamation project to the budget estimate of $25,000,000 for the year commencing July 1. The measure, as Associated Press Washington advices stated, goes to a Senate-House Conference committee for settling of the difference between the Senate appropriations and a House approved $10,840,120 for the Central Valley, including $414,090 for transmission lines. The advices from which we quote further said:

Senators McCarran (Dem., Nev.) and Gurney (Rep., S. D.) opposed an amendment by Senator Hayden (Dem., Ariz.) which restored authority for the Reclamation Bureau to construct two 230-kilovolt lines from Shasta Dam to Tracy, Calif., and a 115-kilovolt line from Keswick Dam to Sacramento.

Mr. McCarran said the lines would duplicate facilities of the Pacific Gas & Electric Co., which has served Northern California for years, and would institute a Government policy that would "discourage private enterprise, if not destroy it."

Mr. Hayden, in reply, declared there is "a great distinction between private enterprise and private monopoly."

If the Government lines are not built, he said, the P. G. & E. would be the only customer for Government power.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on June 19, a summary for the week ended June 8, of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended June 8, 1946

	Total Per Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	33,145
Number of shares	968,865
Dollar value	$44,667,733
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	59
*Customers' other sales	28,743
Customers' total sales	28,802
Number of Shares:	
Customers' short sales	2,300
*Customers' other sales	803,491
Customers' total sales	805,791
Dollar value	$37,568,219
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	130
†Other sales	152,210
Total sales	152,340
Round-Lot Purchases by Dealers—	
Number of shares	305,530

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Items About Banks, Trust Companies

Walter G. Kimball, Chairman of the Board of the Commercial National Bank and Trust Company of New York, announced on June 20 the following official changes and appointment:

"Arthur W. Heidenreich, Assistant Trust Officer, to become Trust Officer; Sidney Mathews, Assistant Trust Officer, to become Trust Officer; Malcolm C. McMaster, Assistant Trust Officer, to become Trust Officer; Sydney G. Stevens, Assistant Trust Officer, to become Trust Officer, and Isaac W. Hughes, Jr., appointed Assistant Trust Officer.

Harvey D. Gibson, President of Manufacturers Trust Company of New York, announces that at the meeting of its board of directors held on June 24 Kenneth F. MacLellan of Chicago was elected a Director. Mr. MacLellan was born in Trenton, Ontario, Canada. Upon the completion of his education, all of which he received in Chicago, he entered the employ of the National Biscuit Company until 1910 when he joined the Chicago Carton Company. In 1925 he formed the United Biscuit Company of America and became its President which position he still holds.

Guaranty Trust Company of New York announces the appointment of Joseph F. Lord as an Assistant Secretary at the Company's Fifth Avenue Office. Mr. Lord was on military leave of absence from the company for more than three years prior to last November, serving in the Pacific with the rank of Lieutenant Commander, USNR. Attached to the Marine Corps Air Wing in connection with radar and fighter direction, he was awarded the Bronze Star Medal.

The directors of the Trade Bank & Trust Company, New York, Seventh Avenue and Thirty-sixth Street, announced the opening of a new branch of the bank on June 24; this office is located at 8 West Forty-eighth Street, and will be headed by Sidney W. Guttentag, Assistant Secretary of the institution. The bank also has an office at Second Avenue and Fourth Street.

The 25th anniversary of the Forty-second Street Branch of the National City Bank of New York, which began business at the northwest corner of Madison Avenue and Forty-second Street on June 20, 1921, was marked on Thursday, June 20, with a staff banquet in the main ballroom of the Hotel Shelton. Douglass B. Simonson, Vice - President in charge of National City's largest branch unit in the entire domestic and overseas system of the bank, presided.

The Greenwich Savings Bank of New York has announced that it will open a new branch office today (June 27) at 2 West Fifty-seventh Street in New York City. As soon as materials become available, the bank states a new bank building will be erected at 3-5 West Fifty-seventh Street. The bank's main office is located at Broadway and Thirty-sixth Street, and it also operates an office at Sixth Avenue and Sixteenth Street.

The Dollar Savings Bank of the City of New York, main office Third Avenue and One hundred Forty-seventh Street, opened on June 24 a new branch office at 121 East One hundred Seventieth Street in the Bronx, N. Y. The bank, which has resources in excess of $280,000,000 now has three branch offices in New York City.

Herman Ringe, President of the Ridgewood Savings Bank of Ridgewood, New York, has announced the election of George C. Meyer as Trustee of the bank. Mr. Meyer is Director and Secretary of the Cord-Meyer Developing Company, the Dick-Meyer Realty Corporation, and the Garden Housing Corporation.

Herman Ringe, President of the Ridgewood Savings Bank, has announced that the bank is now celebrating its 25th anniversary. Organized in 1921, the Ridgewood rapidly expanded to become, it is stated, the 44th largest savings bank in the United States. The bank now has two modern offices, in Ridgewood and Forest Hills. In 1929, eight years after the bank opened, a modern building at the corner of Myrtle and Forest Avenues was erected to handle the expanding business. In 1939 the bank erected its second office at Queens Boulevard and Continental Avenue, Forest Hills. The Ridgewood Savings Bank now serves more than 75,000 depositors with resources over 90 million dollars. It offers every type of savings bank service, including Savings Bank Life Insurance. During the war years the Ridgewood Savings Bank sold more than $13 million in War Bonds. Today, it is engaged in postwar development of new homes and better housing facilities.

The Board of Trustees of Brooklyn Trust Company of Brooklyn, N. Y., have declared a semi-annual dividend of $2.50 a share on the capital stock, payable July 1 to stockholders of record at the close of business June 24. This represents an increase from the previous rate of $2 a share semi-annually, or $4 per annum, which had been paid since April 1, 1933. In December, 1945, however, an extra dividend of $1 a share was declared along with the regular semi-annual dividend of $2 a share, both of which were paid Jan. 2, 1946.

The merger of the Merchants National Bank of Dunkirk, N. Y., and the Bank of Corfu, N. Y., with the Manufacturers & Traders Trust Company of Buffalo, N. Y., was approved by stockholders of each bank on June 19, the Buffalo "Evening News" of that date reported; it further said:

"The consolidation will become effective June 29. Henry B. Kingman of the Dunkirk bank will become a Vice-President of the M. & T. and will be in charge of the Dunkirk office. Cyrus W. Carrier will be Manager of the Corfu office.

"Stockholders of the M. & T. also voted to increase the capital stock from $5,490,000 to $5,720,000 and to issue 23,000 additional shares which will be exchanged for the stock of the Merchants National Bank and the Bank of Corfu on the following basis: Nine-tenths of a share of M. & T. for each share of Merchants; 10 shares of M. & T. for each share of Bank of Corfu stock. The M. & T. and Merchants bank stocks have a par value of $10 while the Bank of Corfu stock has a par value of $100."

An item regarding the proposed merger appeared in our issue of May 30, page 2988.

At the annual meeting of the Middletown Savings Bank, Middletown, Conn., held on June 3, John M. Hincks was made a Vice-President and Elmer. S. Hubbell was elected a director of the institution according to Middletown advices to the Hartford "Courant" which stated that Mr. Hincks is President of the Middlesex Assurance Company, Middletown and Mr. Hubbell is President of the Middletown Press Publishing Company.

At the one hundred and twenty-seventh annual meeting of the Society for Savings of Hartford, Conn., on June 18, it was announced that Charles P. Cooley, Chairman of the Board since 1928, would retire because of ill health. Mr. Cooley, who joined the bank as trustee in 1902, became its President in 1920 and Chairman of the Board eight years later.

At the June 18 meeting Edwin H. Burkle, was made an assistant secretary of the bank and Ostrom Enders, First Vice-President of the Hartford National Bank & Trust Company, was made a trustee.

The Hartford "Courant" of June 19, from which this information is learned, went on to say:

"The reports at the meeting indicated growth in the bank's volume of deposits, which have increased from $48,877,000 to $114,247,000 in the last 20 years. More important additions during the same period were in the surplus account, which increased from $4,019,000 to $14,588,000, a gain of 262%. The total amount received by depositors in the past fiscal year was $31,851,739 compared with $24,488,666 in the corresponding period of 1945, an increase of 31%. Total as of the closing of the fiscal year ending June 1 were $114,247,496 compared with $104,939,679 at the end of the previous year, an increase of 9.3 per cent. Total bank assets are $129,077,052 for 1946 compared with $118,370,552 in the fiscal year ended May 31, 1945."

Terms for merging of the West Hartford Trust Company, West Hartford, Conn., with the Hartford-Connecticut Trust Company, Hartford, Conn., have been agreed upon, subject to approval by the stockholders, which is expected, it was announced on June 22 by the Hartford "Courant," the advices therein by A. E. Magnell further stating:

"Under terms agreed upon stockholders of West Hartford Trust Company receiving eight shares of stock of the Hartford-Connecticut Trust Company, for each share of West Hartford Trust, will receive an equivalent of $712 a share for their stock shares of West Hartford Trust are $100 par and those of Hartford-Connecticut are $25 par, making the ratio of exchange on equivalent par basis two for one. The current bid for stock of West Hartford Trust Company was $230.

"West Hartford Trust Company has total resources of $13,500,000. Its capital is $200,000 (shares $100 par) surplus is $300,000; and undivided profits $105,000. The bank was organized in 1926. No changes in personnel are contemplated.

"In connection with this transaction Hartford-Connecticut Trust Company will have a capital increase, from $4,000,000 to $4,400,000. The terms of issue will be outlined to stockholders in connection with the special meeting of stockholders.

"Hartford - Connecticut Trust Company is one of the strongest state banks and trust companies in New England outside of Boston. Its total resources exceed $126,000,000: Capital $4,000,000; surplus $4,000,000; undivided profits $852,000; reserves, $1,061,000 as of Dec. 31, 1945.

At a meeting held on June 18th the board of directors of the Commercial Trust Co. of New Jersey, at Jersey City, declared the regular quarterly dividend of 2% and an extra dividend of 1% payable July 1st. The sum of $600,000 was at the same time added to the surplus, which was formerly $3,400,000. The capital and surplus figures are now: Capital, $3,400,000; surplus, $4,000,000.

The Philadelphia "Evening Bulletin" stated on June 19 that Lee Sowden has been elected Chairman of the Board of the North Philadelphia Trust Company of Philadelphia, Pa. He had served the company as President for 27 years. John F. McNelis, the advices continue, formerly Executive Vice-President, succeeds him as President. Raymond A. Mayer, a principal examiner for the Pennsylvania State Banking Department, was elected Treasurer and Francis Eisele was elected Assistant Treasurer.

J. Marshall Delamater has been elected Assistant Secretary and D. Rice Longaker and A. Radford Quigley, Assistant Treasurers of the Land Title Bank and Trust Company of Philadelphia.

The election of Harold G. Hawthorne as Assistant Vice-President of the Farmers Deposit National Bank, Pittsburgh, Pa., was made known on June 21, by the Pittsburgh "Post Gazette" which went on to say:

"Mr. Hawthorne, who will assume his new duties on August 1, is at present connected with the General Motors Acceptance Corporation as assistant manager of the Pittsburgh office. In his new position he will be in charge of the bank's installment credit operations."

The Fidelity and Deposit Company of Maryland at Baltimore and its affiliate, the American Bonding Company of Baltimore, have announced the appointment of James F. Neale, Jr., as manager of their Albany, N. Y., branch. He succeeds the late Joseph D. Brooks, who had headed the office since its opening in 1922. Mr. Neale has been a member of the companies' field organization since 1937 and has served in various capacities in the companies' offices in Memphis, Newark, Brooklyn and Detroit. He will be assisted in the management of the Albany branch by George H. Fennell.

A semi-annual dividend of 4½% or $2.25 a share was declared by the directors of the Calvert Bank of Baltimore, Md., on June 18, it was announced in the Baltimore "Sun" of June 19, which stated that the dividend is payable June 29 to stockholders of record June 26. The previous semiannual payment was 4% or $2 a share.

From the "Sun" we also quote:

"The bank paid a stock dividend of 50% last October 31.

"The board also ordered the transfer of $100,000 from undivided profits to surplus, as of June 29. This will give the bank a capital of $600,000 and surplus of $900,000."

Harold W. Kreamer has been named Treasurer and Lawrence I. Schiermyer, Assistant Secretary and Assistant Treasurer of the Ohio Citizens Trust Co. of Toledo, Ohio, Willard I. Webb, Jr., President, announced on June 12, according to the Toledo "Blade" which added in part:

"Mr. Kreamer became Auditor of the bank when it was organized in 1932. He was appointed Assistant Treasurer in 1944.

"Mr. Schiermyer also has been with the bank since the organization. He has served as Credit Manager since 1942 and is past President of the Toledo Chapter, American Institute of Banking.

The election of Walter F. Rockwell as a Director of the Industrial National Bank of Detroit, Mich., was announced by Eugene W. Lewis, President of the bank. Mr. Rockwell, the Detroit "Free Press" of June 18 reported, is President of the Timken-Detroit Axle Company.

Henry E. Atwood, President of the First National Bank of Minneapolis, Minn., announced on June 21 that Kenneth M. Morrison, Vice-President and Comptroller had resigned his position with the bank because of ill health. Mr. Morrison, said the Minneapolis "Journal" on June 21, who has been with the bank since 1909, is being succeeded as Comptroller by Delmar E. Kulp, Assistant Comptroller since 1933.

The St. Louis Union Trust Company, St. Louis, Mo., announced recently the election of Dr. Charles A. Thomas, as a member of the board of the bank, according to the St. Louis "Globe Democrat" of June 21 which also said that Dr. Thomas is Vice-President of the Monsanto Chemical Company.

Hugh M. Schwab, Jr., has been advanced from Assistant Cashier to Vice-President of the Lincoln Bank & Trust Company of Louisville, Ky., it was indicated in the Louisville "Courier Journal" of June 20, which said that Mr. Schwab, has been associated with the bank since 1933, and has recently returned from four years of service in the Army Air Forces.

Security-First National Bank of Los Angeles, Calif., has been granted approval by the Comptroller of the Currency to open a branch in Bakersfield, county seat of Kern County, according to George M. Wallace, President. He also announced that the bank has purchased a site with a building in the Bakersfield business district as quarters for the new banking office. The bank will remodel the building before opening the new branch, and later will erect a modern bank building on the site. The Bakersfield branch will be set up by the bank to serve the entire south end of the San Joaquin Valley, Mr. Wallace said. The bank already operates in other parts of the valley 10 of its 120 branches in Central and Southern California. For many years Security-First National has been serving scores of important customers in the Bakersfield area, and in recent years has felt increasingly the need of banking facilities there.

The United States National Bank of Portland, Oregon, opened its 31st banking unit on June 17 when the Bank of Oregon, of Springfield, Ore., became the Springfield Branch. Announcement of this addition to the United States National's statewide system was made by E. C. Sammons, President.

The Bank of Oregon, organized in 1939, had deposits in excess of $2,700,000 at the time of the amalgamation.

H. L. Edmunds, President of the Bank of Oregon since its organization, will now retire from the banking field. Willis N. Ekblad, who has served as cashier of the Bank of Oregon, will become manager of the United States National's Springfield Branch.

R. H. McDade has recently been named Assistant General Manager of the head office of the Canadian Bank of Commerce in Toronto, Canada, it is learned from the Montreal "Gazette" of June 20.

After serving in various other capacities Mr. McDade was appointed Assistant Manager at Rio de Janeiro branch of the Canadian Bank of Commerce in 1929, Manager of that branch in 1932, and Assistant Manager at London, England, three years later. He was made a superintendent at head office early in 1943, and manager at London, England, toward the end of that year.